COVER SHEET

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SEC Registration Number

S E M I R A R A   M I N I N G   A N D   P O W E R

C O R P O R A T I O N

(Company's Full Name)

2 n d   F l o o r   D M C I   P L A Z A

2 2 8 1   D O N   C H I N O   R O C E S   A V E N U E

M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province)

John R. Sadullo

(Contact Person)

8888-3000/3055

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - A

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **December 31, 2020**

2. SEC Identification No.: **91447** 3. BIR Tax ID No.: **000-190-324-000**

4. Exact Name of issuer as specified in its charter: **Semirara Mining and Power Corporation**

5. **Philippines**
Province, Country or other jurisdiction of Incorporation or organization

6. _______________ (SEC Use Only)
Industry Classification Code:

7. **2nd Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231**
Address of principal office Postal Code

8. **(02) 8888-3000/3055 / (02) 8888-3955 (Fax)**
Issuer's telephone number, including area code

9. ………………………………………………………………………………………
Former name, Address and fiscal year, if changed since last report

10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	**4,250,547,620 / Php13,067,601,460**

11. Are any or all of these securities listed on a Stock Exchange

Yes (✓) No ( )

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule17 thereunder or Sec. 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes (✓) No ( )

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes (✓) No ( )

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.[1]

Name	No. Of Shares Held	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	171,906,228	4.04	2,052,560,362.32
Others	995,195,495	23.41	11,882,634,210.30
TOTAL	1,167,101,723	27.46	13,935,194,572.62

[1] Computed on the basis of closing price at Php11.94/share as of March 18, 2021 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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PART I- BUSINESS AND GENERAL INFORMATION

DESCRIPTION OF BUSINESS

Business Development

Form and Year of Organization
Semirara Mining and Power Corporation (the "Company" or "SMPC") was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. To date, the Company has seven (7) wholly-owned (100%) subsidiaries:

1. SEM-Calaca Power Corporation (SCPC) was incorporated on November 19, 2009 to engage in the business of power generation;
2. SEM-Cal Industrial Park Developers Inc. (SIPDI) was incorporated on April 27, 2011 to engage the development of economic zone in accordance with Republic Act No. 7916, as amended, otherwise known as the Special Economic Zone Act of 1995;
3. Southwest Luzon Power Generation Corporation (SLPGC) was incorporated on August 31, 2011 to engage in the business of power generation;
4. Semirara Claystone Inc. (SCI) was incorporated on November 29, 2012 to engage in the business of manufacturing of cement, cement products, and pottery, among others;
5. Semirara Energy Utilities Inc. (SEUI) was incorporated on February 18, 2013 to perform qualified third-party functions as an alternative electric service provider authorized to serve remote and unviable areas;
6. Southeast Luzon Power Generation Corporation (SELPGC) was incorporated on September 9, 2013 to engage in the business of power generation; and
7. St. Raphael Power Generation Corporation (SRPGC) was incorporated on September 10, 2013 to engage in the business of power generation.

Any Bankruptcy, Receivership or Similar Proceedings
None.

Any Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not in the Ordinary Course of Business
None.

Business of Issuer

Principal Product or Services and their Markets
The Company generates its revenues through the production and sale of sub-bituminous coal. As part of the vertical integration to power business, the Company's subsidiary, Sem-Calaca Power Corporation (SCPC) acquired ownership over the Calaca Power Plants in December 2, 2009. Over the years the Company diversified its coal market. In 2020, total volume sold is 13.1 million metric tons, 16% down year-on-year. Coal sales mix is 58% and 42% to export and domestic market, respectively. The 42% supplied to the domestic market consists of 35% to power plants, 3% to cement plants and 4% to small boilers. Year on year, market share varies depending on the demand from each of the major market sector.

The Company's wholly-owned power subsidiary, SCPC operates a 600 MW Coal-Fired Thermal Power Plant in Brgy. San Rafael, Calaca, Batangas and supplies power under various bilateral contracts and its excess power generated are sold to Whole Sale Electricity Sport Market (WESM) or the spot market. The effective generating capacity of SCPC power units is only around 540 MW since it utilizes 100% indigenous coal, produced by its parent, SMPC. Another subsidiary, SLPGC, incorporated in 2013 is operating the 2x150 MW Coal-Fired Thermal Power Plant, using Circulating Fluidized Bed Technology or clean coal technology, located adjacent to SCPC's power plants. Total contracted energy is at 458.25MW as of end 2020, of which 189.35MW is for SCPC and 268.9MW is for SLPGC. The contracted capacity are with distribution utilities and other generation companies.

Sem-Calaca Industrial Park Development, Inc. intends to develop certain areas within the premises of the Calaca Power Plant into an economic zone to cater certain industries that will benefit due to its proximity to Calaca Power Plants but to date, it still remains under study. The new wholly-owned subsidiary, Semirara Claystone, Inc. was created to primarily engage in the business of manufacturing of cement, cement products, and pottery, among others, it is still under pre-operating stage. Finally, SRPGC plans to own, develop and operate a 2x350 MW power plant to be located adjacent to SLPGC's current location.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales for Each of the Last Three Years

For years 2020 2019 and 2018, the coal segment, foreign sales accounted for 56%, 68% and 42% of gross coal sales revenues, respectively. The contribution of foreign sales to net income are 32%, 45% and 26%, respectively. There is no foreign sales component in the power revenue.

Distribution Methods of the Products or Services

In general Marketing policy is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis.

Status of Any Publicly-Announced New Product or services

Not applicable.

Competitive Business Conditions and the Registrant's Competitive Position in the Industry and Methods of Competition

Competition is insignificant in so far as domestic coal mine is concerned. In 2020, the Company's production registered at 13.2 million metric ton, down by 13% year-on-year. Production in 2019 was a record high of 15.2 million MT. The Company remains to be the dominant player or biggest coal mining company in the Philippines. In terms of coal production, the company produced 99.5% of the local coal production in 2019 based on latest data from Department of Energy. The nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. Also in 2019, Company only supplies 15% of the total domestic consumption of 33.12million MTs. The competitiveness of domestic coal producers is challenged by the more superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

To be competitive, local coal industry must be priced competitively against imported coal, currently from, Indonesia, China & Australia. Pricing of domestic coal is based on import parity inclusive of taxes and duties (at the current rate of taxes and duties). With the inherent quality of Semirara coal, it is estimated that it can be utilized by approximately 50% of the total Philippine market. The promptness of delivery and quality of coal is required. The power companies are mostly located in Luzon and a few in the Visayas and Mindanao.

Sources and Availability of Raw Materials and the Name of Principal Suppliers

The Company has a Coal Operating Contract (COC) with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to Presidential Decree No. 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027. Semirara Island has an estimated coal reserve of around 170 million MTs. On November 12, 2009, DOE and the Company amended the Coal Operating Contract. Said amendment changed the coordinates of the contract area to include an area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique. On August 3, 2018, the DOE and the Company executed the 2018 Amendment to COC No. 5 amending the coal contract area in order to optimize the development and production of coal resources in Semirara Island. Under said amendment, the Company relinquished coal blocks 294, 375, 377 and 16, and replaced with coal blocks 214, 215, 254 and 257 all located in Semirara Island. It also relinquished the areas in Caluya and Sibay, Antique.

In 2013, two new concessions were awarded to the Company located in Bulalacao, Oriental Mindoro and in Maitum and Kaimba, Province of Sarangani. However, in 2019 the Company voluntarily relinquished its rights over the concession in Maitum and Kaimba, Sarangani.

Currently, the Company has an existing coal supply contracts with its own power subsidiaries, SCPC and SLPGC, as well as other power plants, cement manufacturers and other small boiler users

Dependence on One or a Few Major Customers and Identification of Such

The Company is no longer dependent upon a single customer. It successfully diversified its market base. In 2020, export and local sales registered at 56% and 44%, in terms of value and 58% and 42% in terms of volume, respectively. While in 2019, export and local sales registered at 68% and 32% in terms of value and 67% and 33% in terms of volume respectively. The domestic sales were sold to power plants, cement plants, other industries.

Historically, approximately 98% of the Company's revenue streams were from then NPC Calaca Plants. NPC's consumption of Semirara Coal has steadily increased since the Company worked on improving the quality of its coal. Note that the Company started washing 25% of its production in mid-1999. Resultantly, its market has widened, to include other power plants, the cement industry and other small industrial plants and in 2007, Semirara coal was tested by the export market. In 2007, NPC's share in volume and value of the Company's sales went down to 38% and 45%, respectively, from 63% to 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% to 40% due to steady increase in total volume sold resulting from increase in domestic sales to other power plants and industries and export sales as well. In 2007, sale to domestic customers (outside NPC) accounted for 39% and 37%, respectively, in terms of volume and value, and rose to 46% in volume and decreased by 27% in value in 2008. Likewise, in 2007, export sales' share in volume and value registered at 22% and 18%, respectively, and went up to 30% and 22% in 2008. In 2009, NPC Calaca Power plants' share in volume remained at 24%, while in terms of value it slid to 39%. Market share of domestic customers, other than NPC registered at 25% for both volume and value. Notably, the share of export market went up to 51% and 37% in volume and value respectively in 2009. In December 2009, the 2x300 MW power plants of NPC at Calaca, Batangas were turned-over to the Company after successful privatization of PSALM of said power plants.

Transactions With and/or Dependence on Related Parties

Please refer to Note 17 (Related Party Transactions) of Notes to Parent Company Financial Statements and Note 19 (Related Party Transactions) of Notes to Consolidated Financial Statements.

The company has no other transaction with other parties (outside the definition of "related parties") whom the company or its related parties have relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis. Related Party Transaction does not include financial assistance to affiliates or related entities not wholly-owned subsidiaries.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreement, or Labor Contracts Including Duration

Under its Coal Operating Contract, the Company is required to pay royalties to the Department of Energy (DOE) – at minimum of 3% based on FOB sales or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners–Php0.50/MT for untitled land and Php1.00/MT for titled land.

Need for Any Governmental Approval of Principal Products or Services

The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012;[2] b) DENR Environmental Compliance Certificate (ECC) No. 9805-009-302A; c) DENR Environmental Compliance Certificate ECC-CO-1601-0005 for its Molave Coal Project; d) Business Permit issued by Caluya, Antique and Makati City; e) Aerodrome Registration Permit No. AGA-R-009-2018A issued by CAAP-yearly renewable; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2019;[3] and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.[4]

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[2] Extended on May 13, 2008 for 15 years or until July 14, 2027.

[3] Renewal of permit is pending with the Philippine Ports Authority.

[4] Renewal of permit and/or conversion to Forest Lease Agreement (FLAG) is pending with DENR.

Effect of Existing or Probable Governmental Regulations on the Business
SMPC continue to operate and has not been suspended and neither has it been issued any suspension order nor is there any ongoing mining audit or re-audit, as based on the DENR Environmental Audit on August 25, 2016, SMPC was cleared and compliant with its Environmental Compliance Certificate (ECC). SMPC's operation is under the jurisdiction of the DOE and the latter has issued in August 26, 2016 the results of its own technical audit confirming SMPC's operations does not discharge toxic materials to the mangroves, sulfur content of coal is below 1%, no seaweed farm affected and dumping of overburden materials do not affect nearby communities.

The DENR order on the closure of several mines has no adverse effect whatsoever on the Corporation's business operations and financial condition. In February 2017, the DENR-EMB Region VI issued a special order on the creation of composite team to conduct monitoring, inspection and investigation on SMPC's compliance to its ECC, ambient air and water monitoring of Semirara Island, investigation of alleged reclamation of SMPC and livelihood and community status in the island. It was, however, clarified that the inspection is not an audit but only information gathering and validation of its audit results in 2016.

Based on the results of its data gathering activity in Semirara Island, DENR-EMB Region VI declared SMPC to be very much compliant with the ECC conditionalities as shown by the mining audit conducted in 2016 by the Multi-Partite Monitoring Report. The DENR-EMB noted that:

1. SMPC substantially provided basic services and livelihood assistance to local communities. Reforestation and rehabilitation program are on the top priority of SMPC.
2. Sixty percent (60%) is vegetated or covered with naturally growing and planted trees.
3. On the alleged reclamation, the results showed that there is a considerable increase of land area on the northern tip of the island and extending seaward from the mining pits of Unong, Panian, Molave and Narra, as a result of backfilling and within the coal operating area of SMPC.
4. SMPC has established a Research Center for giant clams and abalone near the Semirara Marine Sanctuary to support the water quality monitoring. Giant clams that thrive in the area is an indicator of good water quality.

Estimate of Amount Spent for Research and Development Activities (3 Fiscal Years)
None.

Costs and Effects of Compliance with Environmental Laws
The Company has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. The Company has spent Php1.22 Billion for these activities from 1999-2017. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of Php 600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

Total Number of Employees and Number of Full Time Employees
The number of work force of the Company is 4,198 and 4,227 for the years 2020 and 2019, respectively, inclusive of employees based at the Company's head office in Makati. Out of the 4,198 workforce in 2020, 3,169 are employed by the Company while the rest are employed by the Company's contractors, one of which is DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, and termination of services of existing employees. The breakdown of the Company's employees according to type, are as follows:

Executive	11
Managers	25
Supervisors	191
Rank and File	2,942
Total	**3,169**

On the other hand, in 2020 total number of SCPC workforce is 492, of which 342 are indirectly employed inclusive of the O&M contractor employees at SCPC's Calaca Power Plant while SLPGC has a workforce of 304, of which 236 are employees. SMPC's other subsidiaries, namely: SIPDI, SCI, SEUI, SRPGC, SELPGC and SRPGC are non-operational, hence, no employees were hired.

The CBA was signed between the Company and Semirara Mining Corporation Labor Union (SMCLU) last December 14, 2006, which will last five (5) years after effectivity. There was a notice of strike which, however, did not materialize due to settlement resulting in the signing of the new CBA. After the expiration of the CBA on August 31, 2011, no new CBA was executed by SMCLU and the Company. There are no existing labor unions in the Company's subsidiaries.

Major Risk/s Involved in Each of the Business of the Company and Subsidiaries

Major business risks are operational, regulatory, and financial risks. For Financial Risk Management Objectives and Policies, please see details in Note 30 to the Audited Consolidated Financial Statements. The operational and regulatory risks are being mitigated by the company's compliance to its IMS Policy which is ISO certified. Its Integrated Management System (IMS) covers the following: Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational, Health and Safety System (OHSAS 18001:2007). The Company is ISO certified since 2008. Recently, SMPC has successfully transitioned and passed conformance to the 2015 versions of ISO 9001 and ISO 14001 on quality and environmental management systems, respectively. The new versions require an embedded risk-based approached and take into account the engagement of various key stakeholders. SMPC remained to be certified to these ISO and OHSAS standards on 2019 surveillance audit results.

Meanwhile, its power subsidiary mitigates its business risks by employing equipment redundancy to manage the risk of prolonged unplanned shutdowns and by securing business interruption insurance for its power plants.

DESCRIPTION OF PROPERTY

Property

The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of Php5.720 million for 2020. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
Refo Office	1	Oxygen/Acetylene Building	2
Genset Shed at CPP	1	Molave Pit Offices	1
IMS Office & Library	1	Molave Pitshop	1
Lime Plant	1	Narra Pit Offices	1
Magazine Building	3	Product Office	1
Main Workshop	1	RMO Office	1
Warehouse	1	Sandblasting & Painting	3
Coal Shed at Product	1	Shipping Mayflower Office	1
HRD Building	1	Shipping Shipyard Office	1
Diesel Power Plant	1	Tire Shop at MWS	1

b. Housing			
Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	1,022
Group Staff House	2	Pinatubo Housing	51
Individual Staff House	3	Molave Phase 1 Extension	69
Kalamansig Housing	103	Waffle Crete Building	2
Laborer's Clusters 1-8	78	IS Extension	59
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3

Lebak Housing	154	Phase 7 Housing	153

c. Others

Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Aviary	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1
Desalination Plant	1		

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment worth Php1.287 billion, Php2.904 billion, and Php4.218 billion for 2020, 2019, and 2018, respectively.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas with rental payments of Php150.57 million to cover the entire duration of the lease:

1. 2x300 MW units of the Calaca Power Plant with its major components and accessories
2. Staff Housing Units
3. Guest House
4. Pier
5. Conveyor Unloading System
6. Coal Stockyard
7. Administrative Building
8. Motorpool

On July 4, 2011, SCPC exercised its option to buy several parcels of land with an aggregate area of 29.3 hectares, subject of the lease from PSALM all located within the premises of the Calaca Power Plants. SCPC assigned its option to buy over an additional 8.2-hectare lot to the Company which option was exercised on July 4, 2011. Said 8.2 hectares was later sold by the Company to SLPGC on August 28, 2013.

Mining and Oil Companies

The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerate resource of limestone, silica and clay with potential commercial value. As of December 31, 2020, the Company's application to convert its Exploration Permit to Mineral Production Sharing Agreement (MPSA) remains pending with the Mines & Geosciences Bureau.

Meanwhile, on March 17, 2015 based on the Technical Report Economic Assessment and Coal Reserve Estimation of the Bobog Coal Deposit, Semirara Island, Antique, Philippines, prepared by Engr. Rufino B. Bomasang, a Competent Person on Coal with Registration No. EM 00587-004/10 who consented to the filing of his report, which we quoted as follows: *"Based on our mine and pit design after modelling all the seams within the proposed pit, we estimate total mineable reserves of 71 million DMT, based on a cut-off thickness of 0.5 meters and a cut-off heating value of 7000 BTU per pound. These mineable reserves consist of 18 seams ranging in thickness from 0.5 to 22.8 meters. They have an average heating value of 9560 BTU per pound.*

Based on the October 2013 report of G B Baquiran and E J Crisologo, the reserves to have an average ash content of 10.0%, average sulfur content of 0.9% and average moisture content of 12.1% on an airdried basis.

The average stripping ratio after pre-stripping is 6.40 cubic meters of waste rock per metric ton of coal. On the other hand, the expanded pit has an estimated stripping ratio of 7.63. With an estimated overall mining and washing recovery of 90%, based on past experience at Panian, this translates to recoverable coal reserves of 64 million DMT. An upside of up to around 5.74 million DMT can be further produced at the west wall from coal lying underneath existing mine support infrastructure, which could be removed towards the last two years of the Bobog operation."

LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

1. **The HGL Case**. Sometime in January 2004, the Corporation received a complaint filed by HGL Development Corporation ("HGL"). The facts are as follows:

   On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the DENR covering a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations.

   HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

   <u>The Caloocan Case</u>
   On November 17, 2003, HGL filed a complaint (Civil Case No. C-20675) against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

   On March 2, 2004, SMPC filed a Motion for Intervention because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which motion was granted by RTC-Caloocan. Subsequently, SMPC filed a Motion to Dismiss for lack of cause of action/jurisdiction and forum shopping. SMPC's prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, SMPC filed its Petition for Review (G.R. No. 92238) with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

   On January 16, 2007, the CA reversed RTC–Caloocan's decision and finding grave abuse of discretion on the part of the presiding judge for failing to dismiss the case for lack of jurisdiction. The CA ruled that the DENR Order canceling HGL's FLGLA No. 184 had long been final and executory on account of its failure to appeal said Order to the Office of the President. Eventually, HGL's Motion for Reconsideration was denied and the CA accordingly dismissed the case.

   Due to CA's denial of HGL's Motion for Reconsideration, a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) was filed by HGL before the Supreme Court (SC) on November 14, 2007, which was denied for HGL's failure to sufficiently show any reversible error on the assailed CA decision and further denies HGL's motion for leave and first and second motions of time to file a reply to SMPC's comments on the petition. HGL's Motion for Reconsideration was denied with finality on July 2, 2008.

   Meanwhile, in a case docketed as SC G.R. No. 180401, 1st Division (*DENR vs. HGL*), DENR's Petition for Certiorari was denied by the SC on February 4, 2008. DENR then filed a Motion for Reconsideration on March 25, 2009, but again denied by the SC with finality.

   Citing as basis the dismissal of the Culasi Case (SMPC vs. HGL) on the ground of forum shopping, SMPC filed a Motion to Dismiss with RTC-Caloocan (Civil Case No. C-20675). However, RTC-

Caloocan denied the motion on December 24, 2008 and cited SC decision on G.R. No. 180401 (DENR vs. HGL) to sustain its decision to retain jurisdiction over the case. With the denial of its Motion for Reconsideration on June 24, 2009, the SMPC filed a Petition for Certiorari with the CA on September 14, 2009 (CA-G.R. SP No. 110460). On October 3, 2013 the CA dismissed SMPC's petition to which a Motion for Reconsideration was filed on November 22, 2013, which was likewise denied by the CA.

On May 29, 2014, SMPC filed its Petition for Review on Certiorari under Rule 45 with the Supreme Court (SC G.R. No. 212018). After directives given by the SC in June 2017, SMPC filed its Reply to HGL's Comment to the Petition. The case remains pending to date.

The Culasi Case
HGL also filed a separate case (Civil Case No. C-146) against SMPC on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. SMPC received the summons on January 15, 2004.

On February 6, 2004, SMPC filed its Answer and prayed for the outright dismissal of the case for being baseless and unfounded as the Order canceling FLGLA No. 184 had long been final and executory and can no longer be disturbed. SMPC claims exemplary and moral damages and attorneys' fees.

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu (CA-G.R. CEB-SP No. 00035). SMPC elevated the case to the SC (SC G.R. No. 166854) by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC promulgated its decision, which denied SMPC's Petition for Certiorari and lifted the TRO. On January 18, 2007, SMPC filed its Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan case filed a Supplemental Motion for Reconsideration. On February 14, 2007, the SC denied with finality SMPC's Motion for Reconsideration and its supplement to the aforesaid motion for lack of merit.

Meanwhile, on July 16, 2007, the RTC-Culasi dismissed the main case, as the two (2) cases filed by HGL was a deliberate violation of the rule on forum shopping. RTC-Culasi further stated in its decision that in both cases, HGL's cause of action rests on the validity of its FLGLA No. 184. HGL filed a Motion for Reconsideration, but on November 20, 2007, RTC-Culasi ruled against HGL. No appeal was taken by HGL.

Thereafter, on February 6, 2008, HGL filed before the SC a Petition for Indirect Contempt (SC G.R. No. 181353). HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. SMPC filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda.

In its Decision dated June 6, 2016, the SC stated that "[t]he Petition for Indirect Contempt is completely baseless" since SMPC was repetitively raising the issue of forum shopping through various motions and petitions and at different stages of Civil Case No. C-146, was tenacious, at worst, but not contumacious (pg.29), as Judge Penuela merely made an error of judgment when he dismissed the case based on forum shopping. Further, HGL further breached the principle of judicial hierarchy in directly filing its Petition for Certiorari before the SC (pg.31).

The Decision of RTC-Culasi in dismissing the case (Civil Case No. C-146) on the ground of forum shopping was a valid decision albeit erroneous. HGL instead of filing an appeal under Rule 41 to the Court of Appeals sought the remedy of a Petition for Indirect Contempt and in the alternative Certiorari under Rule 65. HGL likewise filed this petition two days beyond the allowed reglementary period under the Rules of Court.

Despite the defects of the Petition filed by HGL, the Court partly granted the same in the interest of substantive justice and equity. Thus, in consideration of the extraordinary circumstances and the interest of substantive justice and equity, the SC partially grants the Petition, which reinstates the case (Civil Case No. C-146) and remands it to RTC-Antique for the specific purpose of hearing and determining the damages to be awarded to HGL for the non-enforcement of the Writ of Preliminary Mandatory Injunction dated October 6, 2004. The hearing for the specific purpose of determining the damages to be awarded was set on May 21, 2018 and it is still ongoing. The case remains pending to date.

2. **Tax Refund/Credit Case**. SMPC filed several cases against the Commissioner of Internal Revenue before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales by National Power Corporation (NPC) in the total amount of ₱190,500,981.23.

    2.1 CTA Case No. 7717 (For ₱11,847,055.07). – On October 15, 2009, the CTA granted SMPC's petition in the amount of ₱11,847,055.07 for VAT withheld for the month of December 2005. The CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009 and was served to BIR on August 13, 2010. On September 9, 2015, BIR issued the Tax Credit Certificate (TCC) to SMPC. SMPC received its cash tax refund on September 23, 2019.

    2.2. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534 (CTA EB No. 752 [For ₱15,292,054.91]).* – On January 4, 2011, the CTA *(CTA Case No. 7867)* granted SMPC's petition for refund of VAT withheld in the amount of ₱15,292,054.91 for the month of January 2007. CIR's Motion for Reconsideration on March 18, 2011 and later appeal to CTA *En Banc (CTA EB No. 752) were* dismissed for lack of merit. Thereafter, the CIR petition for review on certiorari with the Supreme Court *(G.R. No. 202534)* and its subsequent motion for reconsideration were denied in a Decision dated December 5, 2018 and on June 3, 2019, respectively. The SC in denying with finality the motion ordered the immediate issuance of an entry of judgment in an order dated August 7, 2019. On September 27, 2019, SMPC filed a motion for execution with the CTA. There being no comment/opposition from the CIR, the CTA on February 12, 2020 issued the writ of execution. SMPC is currently completing the documentary requirements for its application with the BIR for the issuance of tax credit certificate.

    2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 203621 (CTA EB No. 772 [For ₱86,108,626.19]).* – On February 10, 2011, the CTA granted SMPC's petitions in the amount of ₱86,108,626.10 for VAT withheld for the period, January 1, 2006 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied. It elevated the case to CTA *En Banc (CTA EB No. 772)*, but was denied by the CTA En Banc on June 22, 2012. The CIR filed its Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR filed with the Supreme Court (SC) a Petition for Review on November 5, 2012, but was denied in a minute resolution dated January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. On January 21, 2014, the CTA issued a Wit of Execution which was served to the BIR on April 27, 2015. On November 13, 2018, SMPC received from BIR its TCC for the amount of Php86,108,626.19. SMPC received the cash tax refund on September 23, 2019.

    2.4. *Commissioner of Internal Revenue vs. Semirara Mining [and Power] Corporation, G.R. No. 202922 (CTA EB No. 793 [For ₱77,253,245.39]).* - On March 28, 2011, the CTA granted SMPC's petition in the amount of ₱77,253,245.39 for the period of July 1, 2006 to December 31, 2006. On April 12, 2011, the CIR's Motion for Reconsideration was denied on June 3, 2011. It elevated the case to the CTA *En Banc (CTA EB No. 793)*, but its petition was also denied on April 23, 2012 for lack of merit. The CIR's filed a Motion for Reconsideration on the denial was denied on May 29, 2012. The CIR filed a Petition for Review with the Supreme Court *(G.R. No. 202922)*. On June 19, 2017, the SC denied CIR's petition for review and affirmed the CTA *En Banc's* Decision dated April 23, 2012 and its Resolution dated July 26, 2012. On January 10, 2018, the SC denied CIR's motion for reconsideration with finality and ordered an entry of judgment be issued immediately. The CTA issued a Writ of Execution on March 18, 2019. On August 22, 2019, SMPC filed its application with BIR for the issuance of tax credit certificate. SMPC received the cash tax refund on October 6, 2020.

3. **Forcible Entry Case.** – The complaint docketed as *Gabinete, et. al. vs. SMPC, et. al., Civil Case No. 210-C, MCTC-Pandan, Antique* hinges from the alleged entry of SMPC to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. The occupation of SMPC was based on the authority of the new owner of the property. Plaintiff's prayed that the Court order defendants to vacate the properties and pay damages and attorney fees. On March 11, 2014 SMPC submitted its affidavits and position paper as required by the Court. The case is submitted for resolution/decision of the Court.

4. **Annulment of Deeds of Sale Case. –** The complaint docketed as *Gabinete, et. al., vs. SMPC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13* seeks the annulment of the deeds of sale which plaintiff executed with the defendant, George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind of the plaintiff at the time of execution. Gabinete filed an amended complaint, which was admitted by RTC on April 27, 2015. On account of the inclusion of Manual Gabinete, Vicente Gabinete and the Municipal Assessor of Caluya as additional defendants, and the filing of Answer by Vicente Gabinete, the RTC in a Constancia dated August 15, 2018 reset the Preliminary Conference on September 2, 2018. A motion to drop SMPC as defendant to the case was granted by the RTC per its Order dated December 12, 2019. With the denial of Gabinete's motion for reconsideration, a petition for certiorari under Rule 65 dated November 9, 2020 was filed.

5. **Damages.** – The case docketed as *Bauer Foundations Philippines, Inc., Plaintiff, vs. Semirara Mining Corporation and/or Victor A. Consunji and/or Jaime B. Garcia, Defendants, Civil Case No. R-QZN-14-04802CV, Regional Trial Court-Quezon City, Branch 100*. Plaintiff Bauer Foundations Philippines, Inc. (Bauer) alleged that SMPC, in bad faith, prevented it from drilling and grouting the remaining 35 holes of the agreed 122 holes in violation of the parties' agreement. The agreement generally covered the construction of numerous drilled shafts of 1.2-meter-diameter with a depth of 150 meters to be filled with grout and/or concrete for the fault line areas at coal mining area of the SMPC in Semirara Island, Caluya, Antique. In view of such alleged breached, Bauer is asking the court that the SMPC be adjudged to pay the amount of PhP7 million for actual damages representing unpaid value of the 35 undrilled holes, Php500,000.00 exemplary damages, Php100,000.00 litigation expenses, and costs of suit. Contrary, however, to the allegations of Bauer, it is Bauer which failed to perform and deliver based on the timeline as agreed. Answer was filed on July 14, 2014. On February 27, 2017, the Court rendered its Decision dismissing the complaint, as Bauer was not able to prove its case by preponderance of evidence. Its motion for reconsideration was likewise denied per Order dated July 10, 2017. Bauer's Notice of Appeal was given due course by the RTC per Order dated September 22, 2017. On November 9, 2017 the CA (CA-G.R. CV No. 109769) required the parties to submit their Briefs. In a resolution dated January 30, 2019, the CA submitted the instant appeal of Bauer for resolution. On June 26, 2020, the CA rendered a Decision denying Bauer's appeal and affirmed the RTC Decision dated February 27, 2017 and its Order dated July 10, 2017. On January 26, 2020, the CA issued an Entry of Judgement where the Decision dated June 26, 2020 has become final and executory on July 30, 2020.

6. **Declaratory Relief with Injunction Case. –** This is a case filed by SMPC against the *BIR, Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146*. On May 21, 2013 SMPC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of diesoline. SMPC made 1st partial shipment of 6,16,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27 million which was paid under protest. As a result, SMPC filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR RR No. 2-2012 by imposing advance payment of VAT on SMPC importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by SMPC (effectively 0% rated) being exempted from VAT under its COC and PD 972, SMPC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution.

   On October 30, 2013, SMPC secured a 20-day TRO and on November 21, 2013 the RTC issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against SMPC. Defendants moved for reconsideration, but were denied by the RTC on February 4, 2014. On February 10, 2014, the RTC resolved to grant the SMPC's petition for declaratory relief and declared that in view of the tax exemption provided under PD 972 and the COC, Revenue Regulation No. 2-2012 issued by the respondents was held inapplicable to the SMPC's direct importation of petroleum products.

   As a result, the DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the SC (G.R. No. 211188) on April 8, 2014 while the BIR on May 13, 2014 filed with the CA (CA-G.R. No. 135364) a petition for review under Rule 65 of ROC with prayer for TRO and/or writ of preliminary injunction. Meanwhile, SMPC filed a petition on September 2, 2015 with the CTA (CTA Case No. 9133) in view of the denial by the BIR of its claim for tax refund in the amount of Php27,341,714.00 as VAT paid under protest.

SC G.R. No. 211188
This case is an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the DOF and BOC filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court with the Supreme Court on April 08, 2014 assailing the RTC's Resolution dated February 13, 2014. On October 28, 2016, SMPC filed its Memorandum. The petition is pending resolution by the SC.

CA G.R. SP No. 135364
This case is likewise an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the BIR filed a Petition for Certiorari under Rule 65 with prayer for TRO and/or Writ of Preliminary Injunction with the Court of Appeals on May 13, 2014. In a Resolution dated July 23, 2014, the CA ruled that the petition as "deemed abandoned" for having been filed out of time. The BIR filed an MR, which was denied in a Resolution dated January 26, 2015. The BIR filed a petition for review under Rule 45 with the SC *(SC-G.R. No. 217712)*. SMPC has submitted its comment to the petition.

CTA Case No. 9133
This is case is a petition for review filed on September 2, 2015 by SMPC on the denial of its claim by the BIR for tax refund involving the amount of Php27,341,714.00 as VAT paid under protest for the first shipment of its diesoline importation. With the filing of BIR's comments on October 19, 2016 to SMPC's formal offer of evidence filed on October 11, 2016. On July 27, 2018, the CTA promulgated its decision granting SMPC's petition and ordering the CIR to refund the amount of Php27,341,714.00. On August 17, 2018, the CIR moved for reconsideration on the July 27, 2018 decision, which the CTA denied in its Resolution dated January 15, 2019 for lack of merit. The CIR filed a petition for review with the CTA *En Banc*. On June 30, 2020, the CTA *En Banc* promulgated its Decision denying for lack of merit the CIR's petition and affirmed the CTA's Decision dated July 27, 2018 and its Resolution dated January 15, 2019. The motion for reconsidered filed by CIR was deemed submitted for resolution per CTA *En Banc* Resolution dated January 7, 2021.

7. **Cease and Desist Order dated June 4, 2019 issued by DOE.** – The Department of Energy (DOE) issued a Cease and Desist Order (CDO) dated June 4, 2019 its subsequent letter dated July 4, 2019 docketed as *"In Re: Violation of Department Circular No. DC2012-05-0006 or Guidelines on the Accreditation of Coal Traders and Registration of Coal End-Users, Semirara Mining and Power Corporation (SMPC), Respondent, DOE-ERDB Case No. 2019-06-0010."*

   On May 23, 2019 SMPC supplied 4,768.73 metric tons (MT) of Semirara coal to a buyer (Gold Anchorage), as trial shipment. The buyer issued assurances to SMPC that it has accordingly submitted and applied for a Coal Accreditation Certificate with the DOE on April 5, 2019.

   Under Section 6.1.b of the aforementioned guidelines, DOE will issue the Certificate of Accreditation and/or Registration or reject the application within fifteen (15) working days from receipt thereof. Unfortunately, on shipment date, the buyer was unable to submit the said accreditation as it was still pending with the DOE. Thereafter, SMPC discontinued its supply and any trading with the said buyer.

   On July 5, 2019, SMPC submitted its verified answer to the DOE with a prayer for the immediate lifting of the CDO/suspension and for the non-imposition of any administrative fine.

   On July 12, 2019, the DOE granted SMPC's request to hold in abeyance the implementation of its June 4, 2019 cease and desist order and suspension of Coal Trader Accreditation No. CT-208-12-0351(R), subject to certain conditions.

   On July 16, 2019, SMPC further submitted a rejoinder to the DOE with a prayer to amend the conditions, which limit SMPC's compliance to the Work Program approved by DOE.

   On August 5, 2019, DOE granted SMPC's request and reconsidered the conditions earlier imposed in its July 12, 2019 letter. The DOE stated that after it had reviewed and evaluated SMPC's request, the conditions in its July 12, 2019 letter are modified, as follows:

   a. The CDO dated June 4, 2019 is held in abeyance pending final resolution of DOE-ERDB CASE NO. 2019-06-0010; and

b. SMPC shall faithfully comply with all its commitments and obligations under Coal Trader Accreditation No. CT-208-12-0351(R).

In a Resolution dated October 15, 2019 DOE found SMPC in violation of the afore-stated Circular and imposing penalties as follows:

a. Suspension for a period of one (1) month for violating Section 7.2 of the Circular due to coal trading or transaction with Gold Anchorage, the latter being an unaccredited coal trader, except deliveries of SMPC-owned power plants and other local power plants with existing coal supply agreements; and
b. A fine of Php1,735,000.00 for violating Section 3 of the Circular due to unabated and continuous coal trading despite suspension of its accreditation.

SMPC filed a motion for reconsideration on November 20, 2019. On March 16, 2021, DOE issued a Resolution, which modified its October 15, 2019 Resolution, as follows:

a. Affirming SMPC's liability for violation of Section 3 of Department Circular No. (DC) 2012-05-0006 and ordering it to pay the corresponding find therefore in the amount of Six Hundred Ten Thousand Pesos (P610,000.00);

b. Removing the penalty of One-month suspension of SMPC's coal trader accreditation, with a warning that, henceforth, it should exercise more prudence and care in conducting its coal trading related transactions in order to avoid similar issues and cases in the future.

Except for the foregoing cases, the Company or its subsidiaries is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

PART II – SECURITIES OF THE REGISTRANT

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Identification of the Principal Market or Markets Where the Registrant's Common Equity is Traded

The Company is listed in the Philippine Stock Exchange (PSE). There has been no substantial trading since 1983 or 17 years. However, in 2004 DMCI Holdings, Inc. (DHI) increased its shareholdings from 74.36% to 94.51%. The National Development Company (NDC) shares were decreased from 21.27% to 4.55% shares and the others from 4.3% to 0.94% shares. None of them sold their shares hence, no substantial trading occurred. These changes in the percentage of holdings resulted from the equity restructuring of the Company's authorized capital stock and the subscription of DHI of 19,120,581 additional shares in 2004.

In February 2005, new additional shares of 46,875,000 were sold to the public by the Company in its international offer. Also in the same public offering, DHI as selling shareholder sold 58,171,000 reducing its shareholdings from 94.51% to 60%.

On April 8, 2010, the Company sold through PSE its treasury shares equivalent to 19,302,200 at Php67.00 per share. In June 2010, by way of Stock Rights Offering, the Company offered for subscription 59,375,000 common shares to eligible existing stockholders at the ratio of 1:5 shares as of record date, July 1, 2010.

SMPC embarked on buying back its shares approved by the Board on August 15, 2016. The buy-back program was undertaken to enhance shareholder's value and to provide stockholders an opportunity to liquidate their investments. On December 7, 2017, the Board further approved the buy-back program of its shares worth Php2 billion based on trading price at the open market through the trading facilities of the PSE beginning December 8, 2017. To date, its treasury shares stands at 14,061,670.

The market capitalization of the Company as of end-2020, based on the closing price of Php13.78 is approximately Php58.57 billion. As of March 18, 2021, the Company's capitalization stood at Php50.75 billion based on the Php11.94/share closing price.

High, Low and Closing Prices

The Company's security was traded at the PSE at a price of Php0.40/share on December 23, 2002. There was no trading of the Company's securities in 2003 and 2004. The highs and lows (in Pesos) of trading during the past three (3) years are as follows:

	High	Low	Close
2021			
Jan-Mar[5]	14.22	11.76	11.94
2020			
Jan-Mar	22.50	8.30	11.00
Apr-Jun	14.70	10.90	12.68
Jul-Sep	12.78	8.62	9.98
Oct-Dec	15.30	9.61	13.78
2019			
Jan-Mar	25.30	19.80	21.95
Apr-Jun	24.50	21.30	23.15
Jul-Sep	24.80	21.55	22.80
Oct-Dec	23.90	19.00	22.00
2018			
Jan-Mar	39.10	29.60	30.30
Apr-Jun	32.85	27.50	30.30
Jul-Sep*	33.05	26.60	26.70
Oct-Dec*	29.50	22.50	23.05

**adjusted due to stock dividend declaration effective September 12, 2017.*

Holders

Approximate Number of Holders of Each Class of Common Security

As of March 18, 2021, the Company has 741 shareholders with 4,250,547,620 common shares outstanding of which 4.05% or 172,306,630 shares are owned by foreign stockholders.

Nationality	Classes of Shares	Number of Shares	Percentage
Filipino	Common	4,078,240,990	95.95%
Non-Filipino (Foreign)	Common	172,306,630	4.05%
Total Number of Common Outstanding Shares		**4,250,547,620**	**100.00%**

Names of Top 20 Shareholders of Each Class

As March 18, 2021, the following are the Top 20 (common) stockholders of the Company:

No.	Name of Stockholders	No. of Shares	Percentage
1.	DMCI Holdings, Inc.	2,407,770,396	56.63
2.	PCD Nominee Corp. (Filipino)	815,946,326*	19.19
3.	Dacon Corporation	532,993,408	12.54
4.	PCD Nominee Corp. (Foreign)	171,906,228	4.04
5.	Privatization Management Office	145,609,296	3.42
6.	DFC Holdings, Inc.	82,364,916	1.94
7.	Freda Holdings, Inc.	18,616,092	0.44
8.	Augusta Holdings, Inc.	15,995,600	0.38
9.	Regina Capital Development Corp.	10,300,000	0.24
10.	Berit Holdings Corporation	7,419,231	0.17
11.	Augusta Holdings, Inc.	3,480,100	0.08
12.	Sze Kou for Sze Wing Wah Eric	3,000,000	0.07
13.	F. Yap Securities Inc.	2,854,500	0.07
14.	Checklink Holdings, Inc.	2,464,140	0.06

[5] As of March 18, 2021.

15.	Daveprime Holdings, Inc.	2,450,140	0.06
16.	Artregard Holdings, Inc.	2,450,140	0.06
17.	Daveprime Holdings, Inc.	2,177,400	0.05
18.	Great Times Holdings Corporation	1,754,556	0.04
19.	Meru Holdings, Inc.	1,587,200	0.04
20.	Jaime B. Garcia	1,463,408	0.03

**inclusive of 1,090,080 treasury shares*

A list of the Company's top 100 stockholders and beneficial ownership of securities as of December 31, 2020 posted on PSE EDGE can be accessed here.

More than Five (5) Percent Beneficial Owner of Registrant's Common Equity

The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 18, 2021:

Title of Class	Names	No. of Shares	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.63
Common	PCD Nominee Corp. (Filipino)	815,946,326*	19.19
Common	Dacon Corporation	542,067,778	12.75

**inclusive of 1,090,080 treasury shares*

Each Director and Nominee

Office	Names
Chairman & CEO	Isidro A. Consunji
Lead Independent Director	Rogelio M. Murga
Independent Director	Honorio O. Reyes-Lao
Independent Director	Antonio Jose U. Periquet, Jr.
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director, President & COO	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes
Director	Luz Consuelo A. Consunji

All Directors and Officers as a Group

All directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[6]	Total		
Common	Isidro A. Consunji	24,144	24,436,270	24,460,414	Filipino	0.58
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	120	-	120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,328,040	562,480	1,890,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00
Common	Antonio Jose U. Periquet, Jr.	4,333,000	-	4,333,000	Filipino	0.10
Common	Maria Cristina C. Gotianun	1,428	20,496,937	20,498,365	Filipino	0.48

[6] Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

Common	Ma. Edwina C. Laperal	4,188	12,572,083	12,576,271	Filipino	0.30
Common	Josefa Consuelo C. Reyes	412,400	5,674,598	6,086,998	Filipino	0.14
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea S.J. Ching	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**7,255,384**	**68,973,632**	**76,229,016**		**1.79**

Dividends

On April 4, 2005 the Board approved the Company's Dividend Policy, which adopted a minimum of 20% of Net Profit After Tax starting from the period ending December 31, 2005; provided, however, that the Board of Directors shall have the option to declare more than 20% if there is excess cash and less than 20% if no sufficient cash is available. Below are dividends declared for the past three (3) years:

Year	Board Approval	Nature	Dividend/Share (Php)	Total Amount of Dividend (Php)	Record Date	Payment Date
2020	2-28-2020	Cash	1.25	5,313,184,525.00	3-13-2020	3-27-2020
2019	3-18-2019	Cash	1.25	5,313,184,525.00	4-2-2019	4-26-2019
2018	2-22-2018	Cash	1.25	5,320,161,775.00	3-8-2018	3-22-2018
2018	11-7-2018	Cash	1.00	4,250,547,620.00	11-21-2018	12-14-2018

Recent Sales of Unregistered Securities

No unregistered securities were sold in 2020, 2019 and 2018.

PART III - FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FULL YEARS 2019-2020

PRODUCTION – COMPARATIVE REPORT FOR THE YEAR ENDING DECEMBER 2020 AND 2019

Coal

As the mining operation expanded its capacity, overburden stripping increased by % to 182.2 from 185.5 million bank cubic meters (BCM) against same period last year amidst the COVID19 pandemic. However, with a higher strip ratio of 13.9:1 (1 BCM overburden: 1 metric ton coal (MT), coal production decreased by 13% to 13.2 million MT from 15.2 million MT year-on-year. Quarter-on-Quarter, overburden stripping decreased by 3% to 39.1 million BCM from 40.3, coal production dropped by 29% to 2.3 from 3.2 million due to higher strip ratio of 16.6:1.

The table below shows the coal segment's comparative production data for year ending December 2020 and 2019

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	VARIANCE
Materials Moved	60.0	48.6	44.4	39.1	192.2	53.7	53.3	38.2	40.3	185.5	4%
Deferred stripping	19.1	(8.7)		11.5	21.9	2.6				2.6	
Production Stripping	40.9	57.3	44.4	27.6	170.3	51.1	53.3	38.2	40.3	182.9	-7%
Coal Production	3.2	4.4	3.3	2.3	13.2	4.1	4.4	3.5	3.2	15.2	-13%
Strip Ratio (Aggregate)*	18.2	10.2	12.7	16.6	13.9	12.5	11.3	10.2	11.9	11.5	-20%
Strip Ratio (Effective)	12.2	12.2	12.7	11.5	12.2	11.9	11.3	10.2	11.9	11.3	-8%

Power
Sem-Calaca Power Generation Corporation (SCPC)

The graph below illustrates SCPC's comparative performance data for the year ending December 2020 and 2019

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	491	463	489	331	1,774	22	-	45	390	456	*289%*
Unit 2	-	392	644	312	1,349	181	393	383	106	1,062	*27%*
Total Plant	**492**	**855**	**1,133**	**644**	**3,123**	**203**	**393**	**428**	**495**	**1,519**	***106%***
% Availability											
Unit 1	99%	100%	96%	67%	91%	5%	0%	12%	77%	24%	*283%*
Unit 2	0%	75%	100%	53%	57%	35%	89%	87%	24%	59%	*-4%*
Total Plant	**50%**	**87%**	**98%**	**60%**	**74%**	**20%**	**45%**	**50%**	**51%**	**41%**	***78%***
Capacity Factor											
Unit 1	75%	70%	74%	51%	67%	3%	0%	7%	59%	17%	*288%*
Unit 2	0%	59%	97%	48%	51%	28%	59%	58%	16%	40%	*27%*
Total Plant	**38%**	**65%**	**86%**	**49%**	**59%**	**16%**	**30%**	**32%**	**38%**	**29%**	***105%***

Unit 1

Gross Generation	
Q4 2020 vs Q4 2019	The unit run 67% for the 4th quarter of 2020 due to a planned outage. It ran at an average load of 226MW during the quarter due to improvement of the unit after Life Extension Program (LEP).
FY 2020 vs FY 2019	Higher capacity factor this year of 67% versus 17% last year. In 2019, the unit was under its LEP and started commissioning during the later part of the 3rd quarter.
Availability	
Q4 2020 vs Q4 2019	The unit ran at 67% during the quarter. Last year, unit was on a shutdown for the LEP and started commissioning during the later part of the quarter.
FY 2020 vs FY 2019	The unit ran 91% in 2020. The unit has better availability due to improvement after the LEP. Last year, unit is on a shutdown for LEP starting December 30, 2018 and started commissioning during the later part of the 3rd quarter

Unit 2

Gross Generation	
Q4 2020 vs Q4 2019	The unit run 67% during Q4 2020 at 269MW. This is due to improvement after LEP and its commercial operation on May 2, 2020. Last year, capacity factor is at 16% with a derated capacity at 200MW with 69 days of outages during the quarter.
FY 2020 vs FY 2019	The unit was on its LEP which started Oct. 17, 2019. Started commissioning and achieved synchronization on March 25, 2020. Started commercial operation date

	on May 2, 2020. Last year, the unit had incidents of tube leaks and had been running consistently on half condenser with a derated load of 200MW.
Availability	
Q4 2020 vs Q4 2019	The unit ran 53% during Q4 2020. The unit run 1,163 hours during the quarter versus 528 hours last year.
FY 2020 vs FY 2019	The unit was on its LEP activities since Oct. 2019 until first quarter of 2020 and commercial operation on May 2, 2020. Last year, the unit had incidents emergency outages due to tube leaks.

Significant event(s):
Units 1 performed very well during the year with 91% availability. Unit 1 ran at 223MW average load. Unit 2 first synchronization achieved on March 25, 2020 and commercial operation was declared on May 2, 2020. Unit 2 availability improved with 100% availability during the 3rd quarter of the 2020. The unit run 300MW in full month of September 2020. It was during the 4th quarter when the unit encountered boiler tube leaks and generator breakdown in December 2020.

Southwest Luzon Power Generation Corporation (SLPGC)
The graph below illustrates SLPGC's comparative performance data for the year ending December 2020 and 2019.

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
Gross Generation, GWh											
Unit 3	139	198	204	254	795	203	329	326	268	1,126	-29%
Unit 4	162	45	230	322	759	100	261	294	288	944	-20%
Total Plant	**301**	**243**	**434**	**576**	**1,554**	**304**	**589**	**621**	**557**	**2,070**	**-25%**
% Availability											
Unit 3	44%	61%	64%	82%	63%	68%	100%	100%	86%	88%	-29%
Unit 4	57%	15%	70%	100%	61%	41%	84%	91%	89%	77%	-21%
Total Plant	**51%**	**38%**	**67%**	**91%**	**62%**	**55%**	**92%**	**95%**	**87%**	**83%**	**-25%**
Capacity Factor											
Unit 3	42%	60%	61%	78%	60%	63%	99%	99%	82%	86%	-30%
Unit 4	50%	14%	69%	98%	58%	31%	79%	89%	88%	72%	-20%
Total Plant	**46%**	**37%**	**65%**	**88%**	**59%**	**47%**	**89%**	**94%**	**85%**	**79%**	**-25%**

Unit 1

Gross Generation	
Q4 2020 vs Q4 2019	Slightly lower generation vs Q4 LY due to more outage for Q4 (16 vs 13 days)
FY 2020 vs FY 2019	Lower total year because of: extended shutdown brought about by the eruption of Mt Taal, repair of boiler tube leak was also delayed due to imposition of ECQ due to Covid-19 in Q2 and tube leak in Q3
Availability	
Q4 2020 vs Q4 2019	Slightly lower generation vs Q4 LY due to more outage for Q4 (16 vs 13 days)
FY 2020 vs FY 2019	Lower total year because of: extended shutdown brought about by the eruption of Mt Taal, repair of boiler tube leak was also delayed due to imposition of ECQ due to Covid-19 in Q2 and another tube leak in Q3
Unit 2 Gross Generation	
Q42020 vs Q4 2019	Higher generation is due to no outage for the quarter vs LY

FY 2020 vs FY 2019	Scheduled lockdown lasted from Feb 19 to Jun 11, greatly affected by the ECQ lockdown. Manpower was scarce as workers are unable to go to Calaca plant. Boiler tube leak increased the unplanned outage to total 94 days
Availability	
Q4 2020 vs Q4 2019	Higher availability for the quarter due to no outage vs LY
FY 2020 vs FY 2019	The prolonged planned shutdown is due to the imposition of ECQ lockdown because of Covid-19 and another case of boiler tube leak in Q3.

MARKETING – COMPARATIVE REPORT FOR THE YEAR ENDING DECEMBER 2020 AND 2019

COAL

The table below shows the coal comparative sales volume data for the year ending December 2020 and 2019.

Customer	Q1	Q2	Q3	Q4	2020	%	Q1	Q2	Q3	Q4	2019	%	Diff	%Inc/ (Dec)
Power Plants	1,344	1,190	1,079	975	4,587	35%	1,123	946	691	1,056	3,816	24%	771	20%
Cement	116	31	149	146	441	3%	253	203	178	218	852	5%	(410)	-48%
Others Plants	141	74	144	127	487	4%	142	175	133	114	564	4%	(78)	-14%
Local	1,602	1,294	1,372	1,248	5,515		1,518	1,324	1,002	1,387	5,232		283	5%
Export	1,615	1,238	1,317	3,388	7,558	58%	2,034	2,982	3,209	2,154	10,379	66%	(2,821)	-27%
TOTAL (M MT)	3,216	2,532	2,689	4,636	13,073	100%	3,552	4,306	4,211	3,541	15,611	100%	(2,538)	-16%

Power Plants	
Q4 2020 vs Q4 2019	Lower offtake power plant customer including our power generation units
FY 2020 vs FY 2019	Higher offtake power plant customer including our power generation units
Cement Plants	
Q4 2020 vs Q4 2019	Slowdown of cement plants customers because of the economic impact of Covid 19 pandemic
FY 2020 vs FY 2019	Slowdown of cement plants customers because of the economic impact of Covid 19 pandemic
Other Industrial Plants	
Q4 2020 vs Q4 2019	Higher offtake because of new customers
FY 2020 vs FY 2019	Lower offtake because of the economic impact of Covid 19
Export	
Q4 2020 vs Q4 2019	Higher due to the lifting of export restrictions
FY 2020 vs FY 2019	Lower volume due to export restrictions and limitations
Average Selling Price (ASP)	
Q4 2020 vs Q4 2019	Lower NewCastle Index and spot prices
FY 2020 vs FY 2019	Lower NewCastle Index and spot prices

POWER

SCPC

The table below shows the comparative marketing data of SCPC for the nine-month period ending December 2020 and 2019 (In GWh, except ASP).

CUSTOMER	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
GWh											
Bilateral Contracts	337	247	317	226	1,127	346	532	428	318	1,624	-31%
Spot Sales	108	403	735	319	1,565	16	4	53	150	224	600%
GRAND TOTAL	**446**	**649**	**1,052**	**545**	**2,692**	**362**	**536**	**481**	**468**	**1,848**	**46%**
Average ASP	**3.36**	**2.78**	**2.51**	**2.41**	**2.70**	**4.46**	**3.79**	**3.26**	**3.78**	**3.78**	**-29%**

Bilateral Contracts	
Q4 2020 vs Q4 2019	Bilateral contract capacity at 170MW in Q4 2020 with no generation in December for 2 units. Last year's BCQ delivered averages to 200MW.
FY 2020 vs FY 2019	Decrease is due to lower Bilateral contract capacity at 170MW while last year BCQ delivered averages to 200MW. Last year, the company availed outage allowance and procure energy from the market when the unit incurred forced outages during said period.
Spot Sales	
Q4 2020 vs Q4 2019	Higher spot sales in Q4 2020 due to higher availability and average capacity and lower contracted capacity versus Q4 2019.
FY 2020 vs FY 2019	Higher spot sales in 2020 due to higher availability and average capacity and lower contracted capacity versus 2019.

Other Information:

- Of the total energy sold, 99.5% was sourced from own generation

SLPGC
The table below shows the comparative marketing data of SLPGC for the year ending December 2020 and 2019 (In GWh, except ASP).

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
GWh											
Bilateral Contracts	8	88	304	259	660	90	252	89	9	439	50%
Spot Sales	238	154	208	265	866	187	327	412	488	1,415	-39%
GRAND TOTAL	**246**	**243**	**512**	**525**	**1,526**	**277**	**579**	**501**	**497**	**1,854**	**-18%**
Average ASP	**2.74**	**3.11**	**2.89**	**2.82**	**2.88**	**4.10**	**5.03**	**3.17**	**4.89**	**4.35**	**-34%**

Sales Volume

Bilateral Contracts	
Q4 2020 vs Q4 2019	Higher BCQ due to an additional 150MW starting August 24, 2020
FY 2020 vs FY 2019	BCQ YTD is higher vs LY due to addition of 50MW starting March 26, 2020 and 150MW starting August 24, 2020
Spot sales	
Q4 2020 vs Q4 2019	Lower spot sales due to higher contracted energy and lower wesm prices vs 2019 due to Covid-19 pandemic
FY 2020 vs FY 2019	The trend of lower spot prices continued in Q4 vs last year

- Of the total energy sold, 90.64% was sourced from own generation, while 9.36% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

FINANCE

A. Sales and Profitability
<u>Revenues *(In million PhP)*</u>

Before Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	6,213	6,537	-5%	Lower ASP by 27% respectively offset by 31% increase in sales volume	20,631	32,282	-36%	Lower sales volume by 16%; lower ASP by 23% respectively
SCPC	1,312	2,443	-46%	36% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 16% increase in sales volume	7,259	6,985	4%	29% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 46% increase in sales volume
SLPGC	1,478	2,443	-40%	Lowe ASP by 42% offset by slight 6% increase in sales volume	4,389	8,081	-46%	Lower ASP 34% and volume 18%
Others	186	101	100%	SC Res revenue from electricity trading	215	101	100%	SC Res revenue from electricity trading

After Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	5,500	5,806	-5%	Lower ASP by 33% respectively offset by 42% increase in sales volume atributable to exposrt shipment	16,489	29,085	-43%	Lower sales volume by 23% due to 27% decline in export shipment; ASP decreased by 25% driven by the 28% decline in export prices as the global coal prices drops
SCPC	1,312	1,767	-26%	36% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 16% increase in sales volume	7,259	6,985	4%	29% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 46% increase in sales volume
SLPGC	1,377	2,443	-44%	Lowe ASP by 42% offset by slight 6% increase in sales volume	4,288	8,081	-47%	Lower ASP 34% and volume 18%
Others	186	100	100%		215	100	100%	
Total	8,375	10,116	-17%		28,250	44,250	-36%	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	5,472	4,736	16%	Higher volume sold by 31% offset by lower fuel cost on production	14,996	19,761	-24%	Lower sales volume by 16% and lower fuel costs on production
SCPC	907	1,015	-11%	Decrease due to volume of generation and lower fuel prices and minimal replacement power purchases	5,552	6,129	-9%	Lower fuel prices and minimal replacement power purchases
SLPGC	946	1,047	-10%	Higher cost due to replacement power cost and higher depreciation of utility assets	3,336	4,015	-17%	Lower volume sold by 18% and lower Coal cost per MT
Others	166	100	100%		192	100	100%	
Total	7,325	6,798	8%		23,884	29,904	-20%	

After Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	4,946	4,159	19%	Higher volume sold by 42% offset by lower fuel cost on production	12,280	17,784	-31%	Lower volume sold by 23% and lower fuel cost on production
SCPC	764	955	-20%	Decrease due to volume of generation and lower fuel prices and minimal replacement power purchases	4,273	5,429	-21%	Lower fuel prices and minimal replacement power purchases
SLPGC	752	794	-5%	Higher cost due to replacement power cost and higher depreciation of utility assets	3,026	3,335	-9%	Lower volume sold by 18% and lower Coal cost per MT
Others	94	100	100%		120	100	100%	Costs of electricity traded
Total	6,556	6,007	9%		19,699	26,647	-26%	

Consolidated Gross Profit *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	554	1,647	-66%	Lower ASP by 33% offset by higher volume sold	4,208	11,302	-63%	Lower sales volume and ASP by 23% and 25% respectively
SCPC	548	812	-33%	Due to lower ASP by 36% despite higher sales volume	2,986	1,555	92%	Despite lower ASP, profitability driven by higher sales volume and minimal replacement power purchases
SLPGC	625	1,650	-62%	Lower profitability attributed to purchase of replacement power for the quarter, lower ASP by 42% and higher depreciation	1,262	4,746	-73%	Lower profitability attributed to decline in sales volume and WESM prices and the purchase of replacement power
Others	92	-	100%		95	2	100%	GP on electricity trading operations
Total	1,727	4,109	-58%		8,456	17,603	-52%	
GP %	21%	41%	-49%		30%	40%	-25%	

Consolidated OPEX *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	554	1,229	-55%	Lower government royalty due to decline in profitability	2,243	4,623	-51%	Lower government royalty due to decline in profitability
SCPC	451	416	9%	Opex normalized, last year includes accelerated depreciation for unit 2 amounting to PhP55 million.	1,237	1,780	-31%	Opex normalized, last year includes accelerated depreciation for unit 2 amounting to PhP550 million.
SLPGC	388	307	27%	Lower Ins/Taxes, and lower other cash opex	1,081	947	14%	Due to the recognzed impairment of the gas turbine generator
Others	1	6	100%	Pre-operating expenses of subsidiaries	8	16	100%	Pre-operating expenses of subsidiaries
Total	1,394	1,957	-29%		4,569	7,366	-38%	

Consolidated Finance Income *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	3	10	-66%	Lower temporary cash placements as a result of lower revenue	21	24	-12%	Lower temporary cash placements as a result of lower revenue
SCPC	1	21	-97%	Lower temporary cash placements as a result of lower revenue	2	203	-99%	Lower temporary cash placements this year. One-time Interest income on receivable from PSALM last year
SLPGC	1	21	-96%	Lower temporary cash placements as a result of lower revenue	22	55	-61%	Lower temporary cash placements as a result of lower revenue
Total	6	52	-89%		46	282	-84%	

Consolidated Finance Charges *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	74	96	-23%	Lower debt level; lower borrowing rates	358	535	-33%	Lower debt level; lower borrowing rates
SCPC	142	122	16%	Higher debt level;no significant increase in borrowing rates.	539	393	37%	Higher debt level;no significant increase in borrowing rates.
SLPGC	55	84	-35%	Lower interest rates and declining balance	198	389	-49%	Decrease in interest rates and lower principal due to declining balance
Total	270	303	-11%		1,095	1,317	-17%	

Consolidated Foreign Exchange Gain / (Loss) *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	52	(59)	-189%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2019 FX- PhP50.64:USD1, 2020 end FX- PhP48.02: USD1	158	(7)	-2382%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2019 FX- PhP50.64:USD1, 2020 end FX- PhP48.02: USD1
SCPC	(0)	1	-125%	Realized loss on its foreign currency denominated transactions	1	(1)	-166%	Realized gain on its foreign currency denominated transactions
SLPGC	3	(2)	-232%	Realized loss on its foreign currency denominated transactions	(4)	(0)	1506%	Realized loss on its foreign currency denominated transactions
Total	55	(59)	-192%		155	(9)	-1883%	

Consolidated Other Income *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	72	(119)	-160%	Gain on sale/disposal of support equipment	72	(8)	-997%	Gain on sale/disposal of support equipment
SCPC	36	(9)	-520%	Higher fly ash sold during the quarter	136	82	64%	Higher fly ash sold during the year
SLPGC	19	(296)	-107%	Other income incidendtal to financial contract (CFD)	116	109	7%	Other income incidendtal to financial contract (CFD)
Others	8	(3)	100%	Incidental income by pre-operating subsidiaries	8	(3)	100%	Incidental income by pre-operating subsidiaries
Total	135	(423)	-132%		331	183	81%	

Consolidated NIBT *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	54	155	-65%	Weaker performance and lower ASP due to declining Global coal prices	1,858	6,154	-70%	Weaker performance and lower ASP due to declining Global coal prices
SCPC	(8)	288	-103%	Lower plant availability	1,349	(333)	-504%	Higher plant availability after commercial operation (post LEP)
SLPGC	205	982	-79%	Due to lower ASP	117	3,573	-97%	Lower energy generation and ASP
Others	100	0	58030%	Pre-operating expenses of Southeast Luzon and Claystone Inc	95	(10)	-1048%	Mainly on SC Res earnings on trade of electricity
Total	351	1,425	-75%		3,419	9,384	-64%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	57	(62)	-192%	Deferred taxes and final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	60	(59)	-202%	Deferred taxes and final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	(10)	100	-110%	Due to lower profitability	37	(278)	-113%	Due to lower profitability
SLPGC	2	(45)	-105%	Due to lower profitability	30	41	-26%	Due to lower profitability
Others	5	1	421%	Tax on incidental income of pre-operating subsidiaries	5	1	423%	Final Tax and tax on incidental income of pre-operating subsidiaries
Total	49	(7)	-807%		128	(296)	-143%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	199	369	-46%	Higher sales volume	3,239	7,432	-56%	Lower sales volume and ASP
SCPC	(142)	129	-210%	Negative profitability due to plant outages	32	(754)	-104%	Improved plant performance.
SLPGC	109	773	-86%	Higher income because of better plant performance for the quarter	(123)	2,851	-104%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM and replacement power
Others	23	(1)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading	18	(11)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading

After Eliminations (Consolidated)

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	(3)	216	-101%	Higher sales volume	1,798	6,213	-71%	Lower sales volume and ASP
SCPC	2	189	-99%	Stronger plants' performance, lower replacement power this quarter.	1,311	(55)	-2478%	Higher total plant generation. There were lower replacement power this year.
SLPGC	202	1,027	-80%	Lowe income because of lower margin due to replacement power cost	87	3,532	-98%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM and replacement power
Others	95	(1)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading	91	(11)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading
Total	**297**	**1,431**	**-79%**		**3,287**	**9,679**	**-66%**	

B. Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached Ph10.50 billion 39% lower than last year. After changes in working capital, cash provided by operation netted to PhP9.69 billion. With the consolidated loan availments amounted of PHP4.98 billion, representing Coal and SCPC bridge financing for working capital requirement. The company also realized PhP546.59 on sale of support equipment. Combined with beginning Cash of PHP6.46 billion, total consolidated Cash available during the period stood at PHP21.68 billion.

Of the available cash, PHP5.44 billion was used to fund major CAPEX and stripping and mine development. The Company paid cash dividend and serviced debts amounting to PhP5.31 billion and PHP3.66 billion respectively. Ending cash closed at PHP4.48 billion, a 25% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP5.67 billion, PHP951.59 million, and PHP1.12 billion, respectively. Other pre-operating business closed with a total cash balance of PHP257.13 million.

Consolidated Current ratio slightly decline to 1.41 from 1.54x at the start of the year.

C. Financial Condition

ASSETS

Cash

	12/31/2020	12/31/2019	Variance	Remarks
Coal	5,663	3,244	75%	Timing of cash proceeds from short term borrowings for operations and, payments to suppliers and collections from receivables.
SCPC	952	269	253%	Timing of cash proceeds from short term borrowings for operations and, payments to suppliers and collections from receivables.
SLPGC	1,213	2,855	-58%	Lower cash due to payment of Trade Payables and 2 Billion cash dividend to Parent
Others	257	89	190%	Cash generation from electricity trading operations
Total	**8,085**	**6,457**	**25%**	

Consolidated Receivables

	12/31/2020	12/31/2019	Variance	Remarks
Coal	1,610	945	70%	Mainly due to the timing of collection of receivables
SCPC	960	1,365	-30%	Generation is lower towards end of year resulting to lower receivables.
SLPGC	1,052	1,309	-20%	Lower revenue in Dec 2020 vs Dec LY
Others	47	22	112%	SCRes receivable on electricity sold
Total	**3,669**	**3,642**	**1%**	

Consolidated Inventories

	12/31/2020	12/31/2019	Variance	Remarks
Coal	6,856	6,385	7%	Increase mainly due to higher cost of materials, spare parts, major equipment components, fuel and lubricants of PhP5.29 billion and 1.7M MT coal valued at 1.56 billion
SCPC	2,444	2,322	5%	Mainly increase in spares parts inventory for preventive and predictive maintenance program amounting to PhP2.27 billion. Coal Inventory costs PhP173.59 million.
SLPGC	1,440	1,513	-5%	Decrease mainly due Coal at PhP 375 million and insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program and other supplies amounting to PhP 949 million; Diesel and Lubes at PhP17 million, Chemicals and Others at PhP144 milllion
Total	**10,740**	**10,220**	**5%**	

Consolidated Other Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	407	863	-53%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php338 million and Php68.85 million, respectively
SCPC	340	172	97%	Mainly comprised of advances to suppliers, prepaid tax & input vat and other prepaid expenses PhP1.96, PhP324.25 million and PhP13.79 million, respectively.
SLPGC	13	246	-95%	Mainly due to decrease in advances & prepayment to suppliers of PhP 120.37 million and prepaid taxes of PhP24.00million
Total	**805**	**1,285**	**-37%**	

Consolidated Total Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	14,536	11,436	17%	Please refer to above explanation
SCPC	5,374	4,129	-17%	
SLPGC	3,719	5,923	-31%	
Others	349	115	496%	
Total	**23,978**	**21,603**	**-1%**	

Consolidated PPE

	12/31/2020	12/31/2019	Variance	Remarks
Coal	9,238	10,725	-14%	PhP1.5 billion mining equipment and deferred stripping asset of PhP1.3 billion offset by the depreciation of PhP3.27 billion
SCPC	21,604	21,060	3%	Capex of PhP1.94 billion, offset by depreciation of PhP1.51 billion
SLPGC	14,700	15,828	-7%	Capex of PhP539 million, offset by depreciation of PhP1.50 billion and impairment of GT 0.2B
Others	251	17	1357%	Miscellaneous asset of pre-operating subsidiaries
Total	**45,793**	**47,631**	**-4%**	

Investment in JV

	12/31/2020	12/31/2019	Variance	Remarks
Coal		45	-100%	Acquired 100% control on the JV (SRPGC)
Total	**-**	**45**	**-100%**	

Consolidated Other Non-Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	139	321	-57%	Comprised of VAT receivable from BIR, Software cost and right of use assets; The decrease pertain to the applied advance payment made to equipment orders
SCPC	914	1,461	-37%	Mainly consists of right of use assets, advance payment for equipment acquisition and input vat amounting to PhP91.76 million, PhP144 million and 678.24 million respectively ; The input tax was applied/offset against output tax.
SLPGC	118	254	-54%	Mainly consists of the unrealized input VAT. Advances to suppliers was already liquidated upon delivery and completion of services
Others	28	5	439%	Deposit for distribution wheeling service
Total	**1,199**	**2,042**	**-41%**	

Consolidated Deferred Tax Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	151	197	-23%	Mainly related to remeasurement losses on Pension Plan
SCPC	679	679	0%	Mainly related to provision for doubtful account and NOLCO.
SLPGC	22	13	76%	Mainly related to pension plan
Others	2	0	1724%	Nolco on pre-operating subsidiaries
Total	**855**	**888**	**-4%**	

Consolidated Total Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	24,067	22,725	6%	Please refer to above explanation
SCPC	27,892	27,329	2%	
SLPGC	18,559	22,006	-16%	
Others	628	137	358%	
Total	**71,146**	**72,197**	**-1%**	

LIABILITIES

Accounts and Other Payables

	12/31/2020	12/31/2019	Variance	Remarks
Coal	6,224	5,073	23%	Merely in the timing of payment of payables
SCPC	1,366	2,358	-42%	Decrease due to payment trade suppliers
SLPGC	476	1,012	-53%	Decrease due to the timing of payment of payables
Others	243	8	2914%	Pertain to SRPG Payable and SCRES electricity customer deposit
Total	**8,308**	**8,451**	**-2%**	

Short-term Loans

	12/31/2020	12/31/2019	Variance	Remarks
Coal	2,000	-	100%	Temporary short-term financing for working capital
SCPC	3,425	2,070	65%	Availment of bridge financing for LEP and other operational needs.
Total	**5,425**	**2,070**	**100%**	

Current Portion of Long-term Debt

	12/31/2020	12/31/2019	Variance	Remarks
Coal	660	2,425	-73%	Payment of maturing LTD during the year but refinance with another long term loan (refer to non-current loans)
SCPC	1,448	385	276%	Comprised of maturing LTD within a year
SLPGC	667	649	3%	Comprised of maturing LTD within a year
Total	**2,775**	**3,459**	**-20%**	

Current Portion of Lease Liability

	12/31/2020	12/31/2019	Variance	Remarks
Coal	12	11	12%	Lease liabilty due within a year
SCPC	2	4	-54%	Lease liabilty due within a year
Total	**13**	**14**	**-5%**	

Total Current Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	8,896	7,509	18%	Please refer to above explanation
SCPC	6,240	4,817	30%	
SLPGC	1,143	1,661	-31%	
Others	243	8	2914%	
Total	**16,522**	**13,995**	**18%**	

Long-Term Debt - Net of Current Portion

	12/31/2020	12/31/2019	Variance	Remarks
Coal	3,193	2,475	29%	Loans maturing this period were refinance with a long term loan
SCPC	5,826	7,271	-20%	Payment of quarterly amortization
SLPGC	2,655	3,322	-20%	Payment of quarterly amortization
Total	**11,674**	**13,068**	**-11%**	Decrease due to debt repayments

Pension Liability

	12/31/2020	12/31/2019	Variance	Remarks
Coal	329	272	21%	Accrual of pension obligation
SCPC	18	9	103%	Accrual of pension obligation
SLPGC	51	14	262%	Accrual of pension obligation
Total	**398**	**295**	**35%**	

Provision for Site Rehabilitation

	12/31/2020	12/31/2019	Variance	Remarks
Coal	255	500	-49%	Provision for mine rehabilitation and plant decommissioning
SCPC	19	18	9%	Provision for plant decommissioning
SLPGC	5	5	8%	Provision for plant decommissioning
Total	**279**	**523**	**-47%**	

Other *Long-Term Liabilities*

	12/31/2020	12/31/2019	Variance	Remarks
Coal	51	62	-49%	Lease liabilities non-current portion
SCPC	31	31	9%	Lease liabilities non-current portion
SLPGC	7	-	8%	Retention payable for 2x25 MW gas turbines
Total	**89**	**93**	**-47%**	

Total Non-Current Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	3,827	3,309	16%	Please refer to above explanation
SCPC	69	58	19%	
SLPGC	5,889	7,290	-19%	
Others	2,655	3,322	-20%	
Total	**12,440**	**13,979**	**-11%**	

Total Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	12,723	10,818	18%	Please refer to above explanation
SCPC	6,309	4,875	29%	
SLPGC	7,031	8,951	-21%	
Others	2,898	3,330	-13%	
Total	**28,961**	**27,973**	**4%**	

EQUITY

Capital Stock

	12/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	12/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	12/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	740	740	0%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in 2018

Remeasurement Gain / (Losses) on Pension Plan

	12/31/2020	12/31/2019	Variance	Remarks
Coal	(95)	(96)	-1%	Actuarial valuation adjustment on pension plan
SCPC	(1)	4	-124%	Actuarial valuation adjustment on pension plan
SLPGC	(27)	(6)	312%	Actuarial valuation adjustment on pension plan
Total	**(123)**	**(98)**	**25%**	

Retained Earnings / (Losses)

	12/31/2020	12/31/2019	Variance	Remarks
Coal	16,616	18,749	-11%	Cash dividend payment offset by net income earned during the period
SCPC	7,375	6,765	9%	Loss incurred during the period
SLPGC	8,233	8,827	-7%	Loss incurred during the period and payment of cash dividend
Others	(118)	(208)	-43%	Expenses of pre-operating subsidiaries
Total	**32,107**	**34,134**	**-6%**	

PERFORMANCE INDICATORS:

1. **Current Ratio** – Cash position remains healthy despite cash dividend payment. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.41:1.
2. **Dividend Payout** – Increase in unrestricted retained earnings and high liquidity. The Company declared regular cash dividend of PhP1.25 per share on 28 February 2020 paid on 27 March 2020.
3. **Debt-to-Equity Ratio** –DE is at 0.67x at the end of the year after cash dividend payment.
4. **EBITDA Margin** –Remained robust despite the significant decline in coal and power prices.
5. **Net Income After Tax –** Strong operating performance cushioned the decline in consolidated net income by 66% as coal and power ASP went down by 23% and 30% respectively.

OTHER INFORMATION

Other disclosures:

1. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
2. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
3. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
4. The Group has no contingent assets nor liabilities known as of financial position date. The case on the wholesale electricity supply market (WESM) prices for November and December 2013 is still pending before the Supreme Court (SC) and the Energy Regulatory Commission (ERC).

<u>FULL YEARS 2018-2019</u>

PRODUCTION – COMPARATIVE REPORT FOR 2019 AND 2018

COAL

Mining operations took advantage of the increased capacity and favorable weather condition. As a result, materials moved increased by 13% year-on-year to 185.5 million bank cubic meter (BCM) from 164.3 million BCM against last year. Quarter-on-quarter, materials moved decreased by 15% to 40.3 from 47.4 million BCM because of the suspension of mining operations which lasted for almost a month in Q42019.

With the ratio of 11.9 in the 4th quarter coal production significantly decreased by 22% to 3.2 million tons from 4.1 million tons quarter on quarter. Year-on-year, coal production increased by 17% with an aggregate strip ratio of 11.5

The table below shows the coal segment's comparative production data for 2019 and 2018.

	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	VARIANCE
Materials Moved	53.7	53.3	38.2	40.3	185.5	40.5	41.9	34.6	47.4	164.3	13%
Coal Production	4.1	4.4	3.5	3.2	15.2	4.1	3.1	1.7	4.1	12.9	17%
Strip Ratio	12.5	11.3	10.2	11.9	11.5	9.1	12.8	20.0	11.0	12.0	-4%

POWER

SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The graph below illustrates SCPC's comparative performance data for 2019 and 2018.

COMPARATIVE PLANT PERFORMANCE DATA
AO '19 VS AO '18

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '18	Q2 '18	Q3 '18	Q4 '18	2018	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	22	-	45	390	456	447	481	452	432	1,813	*-75%*
Unit 2	181	393	383	106	1,062	-	383	524	562	1,469	*-28%*
Total Plant	**203**	**393**	**428**	**495**	**1,519**	**447**	**864**	**976**	**995**	**3,281**	***-54%***
% Availability											
Unit 1	5%	0%	12%	77%	24%	83%	96%	100%	100%	95%	*-75%*
Unit 2	35%	89%	87%	24%	59%	0%	66%	86%	90%	61%	*-2%*
Total Plant	**20%**	**45%**	**50%**	**51%**	**41%**	**41%**	**81%**	**93%**	**95%**	**78%**	***-47%***
Capacity Factor											
Unit 1	3%	0%	7%	59%	17%	69%	73%	68%	66%	69%	*-75%*
Unit 2	28%	59%	58%	16%	40%	0%	58%	79%	86%	56%	*-28%*
Total Plant	**16%**	**30%**	**32%**	**38%**	**29%**	**34%**	**65%**	**74%**	**76%**	**62%**	***-54%***

Unit 1

Gross Generation	
Q4 2019 vs Q4 2018	The unit has begun its operation at the start of Q4 2019. It ran at an average load of 230MW during the quarter compared to 198MW in the same period last year win which the unit ran at 100% during the quarter.
FY 2019 vs FY 2018	The unit is down the whole of H1 2019 and began its commissioning in the later part of Q3 2019. The Unit started shutdown on December 30, 2018. The shutdown is in relation to the Life Extension Project (LEP) of SCPC. Last year, the Unit ran at an average capacity of 219MW while start for last quarter of 2019 the average capacity is 230MW
Availability	
Q4 2019 vs Q4 2018	The unit has begun its operation at the start of Q4 2019. The same period last year, the unit ran at 100% during the last quarter.
FY 2019 vs FY 2018	The unit is down the whole of H1 2019 and was extended up to end of Q3. The Life Extension Project was originally scheduled for a 6 months maintenance shutdown which started December 30, 2018 but was extended to alllow additional maintenance works to ensure power unit availability. Last year, the unit ran continuously from start of the year, except for a 15-day outage in March

	due to boiler slagging and a 4-day outage in June due to repair of boiler tube leaks.

Unit 2

Gross Generation	
Q4 2019 vs Q4 2018	The unit has begun its Life Extension Project (LEP) activities in Oct. 2019. It ran at an average load of 200MW due to condenser issues before it was shutdown for LEP. Last year, the unit ran at an average load of 288MW during the quarter.
FY 2019 vs FY 2018	The Unit was down for a total of 79 days during the three quarters of 2019 due to repair of tube leaks and other maintenance activities. It is in Q4 when it started its Life Extension Project activities. Last year, the Unit was down the whole of Q1 2018 for scheduled maintenance and came back in operation only in the second week of April last year. Average load for 2019 and 2018 is 204MW and 276MW, respectively.
Availability	
Q4 2019 vs Q4 2018	The unit operated at a total of 527 hours this Q4 versus 1,955 hours Q4 last year.
FY 2019 vs FY 2018	The unit operated at a total of 5,197 hours this year versus 5,314 hours last year. Last year, the unit underwent an extended shutdown for scheduled maintenance which lasted until the first week of April 2018.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The graph below illustrates SLPGC's comparative production data for 2019 and 2018.

COMPARATIVE PLANT PERFORMANCE DATA
AO '19 VS AO '18

	2019					2018					Variance
	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	203	329	326	268	1,126	121	-	12	274	406	*177%*
Unit 2	100	261	294	288	944	74	247	319	321	962	*-2%*
Total Plant	**303**	**590**	**621**	**557**	**2,070**	**195**	**247**	**331**	**595**	**1,368**	***51%***
% Availability											
Unit 1	68%	100%	100%	86%	88%	51%	0%	6%	92%	37%	*139%*
Unit 2	41%	84%	91%	89%	77%	45%	79%	99%	100%	81%	*-5%*
Total Plant	**55%**	**92%**	**95%**	**87%**	**83%**	**48%**	**40%**	**53%**	**96%**	**59%**	***40%***
Capacity Factor											
Unit 1	63%	99%	99%	82%	86%	37%	0%	4%	84%	31%	*177%*
Unit 2	31%	79%	89%	88%	72%	23%	75%	96%	98%	73%	*-2%*
Total Plant	**47%**	**89%**	**94%**	**85%**	**79%**	**30%**	**37%**	**50%**	**91%**	**52%**	***51%***

Unit 1

Gross Generation

Q4 2019 vs Q4 2018	Slightly lower vs Q4'18 due to the return to production of U1's repaired rotor in 2018
FY 2019 vs FY 2018	Higher vs LY - higher availability and capacity
Availability	
Q4 2019 vs Q4 2018	Slightly lower availability vs Q4 '18 due to more outage for Unit 1
FY 2019 YTD vs FY 2018	Higher availability vs LT due to lower forced outage

Unit 2

Gross Generation	
Q4 2019 vs Q4 2018	Slightly lower vs Q4 '18 due to lower availability
FY 2019 vs FY 2018	Slightly lower vs Q4 '18 due to lower availability
Availability	
Q4 2019 vs Q4 2018	Slightly lower availability vs LY due to more outages
FY 2019 vs FY 2018	Slightly lower availability vs LY due to more outages

MARKETING – COMPARATIVE REPORT FOR THE NINE MONTHS OF 2019 AND 2018

<u>COAL</u>

The table below shows the coal comparative sales volume data for 2019 and 2018.

VOLUME (In 000 MT)														
Customer	Q1	Q2	Q3	Q4	2019	%	Q1	Q2	Q3	Q4	2018	%	Diff	%Inc/ (Dec)
Power Plants	1,124	946	691	1,056	3,816	24%	1,348	1,404	1,026	1,276	5,053	44%	(1,237)	-24%
Cement	253	203	178	218	852	5%	258	236	230	191	915	8%	(63)	-7%
Others Plants	142	175	133	114	565	4%	178	210	127	120	635	5%	(70)	-11%
Local	1,520	1,324	1,002	1,387	5,232		1,783	1,849	1,383	1,587	6,603		(1,371)	-21%
Export	2,034	2,982	3,209	2,154	10,379	66%	1,634	1,608	48	1,669	4,960	43%	5,419	109%
TOTAL (M MT)	3,554	4,306	4,211	3,541	15,611	100%	3,418	3,458	1,432	3,256	11,563	100%	4,049	35%

Power Plants	
Q4 2019 vs Q4 2018	Power plant customers including owned plants are undergoing maintenance repairs during the current quarter
FY 2019 vs FY 2018	Power plant customers including owned plants are undergoing maintenance repairs during the current quarter
Cement Plants	
Q4 2019 vs Q4 2018	Higher offtake of existing cement customers
FY 2019 vs FY2018	Lower offtake of existing cement customers
Other Industrial Plants	
Q4 2019 vs Q4 2018	Lower offtake of industrial plants
FY 2019 vs FY 2018	Lower offtake of industrial plants

Export	
Q4 2019 vs Q4 2018	Higher volume produced for export grade coal
FY 2019 vs FY 2018	Higher volume produced for export grade coal
Average Selling Price (ASP)	
Q4 2019 vs Q4 2018	Lower NewCastle Index
FY 2019 vs FY 2018	Lower NewCastle Index

POWER

SCPC

The table below shows the comparative marketing data of SCPC for 2019 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '18	Q2 '18	Q3 '18	Q4 '18	2018	% Inc (Dec)
GWh											
Bilateral Contracts	346	532	428	318	1,624	408	865	909	874	3,056	-47%
Spot Sales	16	4	53	150	224	3	79	95	109	286	-22%
GRAND TOTAL	**362**	**536**	**481**	**468**	**1,848**	**410**	**945**	**1,005**	**983**	**3,342**	**-45%**
ASP in Php											
Bilateral Contracts	4.33	3.76	3.43	3.32	3.71	5.08	3.79	4.15	4.19	4.18	-11%
Spot Sales	7.18	7.39	1.86	4.74	4.29	12.24	3.89	3.17	2.97	3.37	27%
Average ASP	**4.46**	**3.79**	**3.26**	**3.78**	**3.78**	**5.13**	**3.80**	**4.05**	**4.05**	**4.11**	**-8%**

Bilateral Contracts	
Q4 2019 vs Q4 2018	Bilateral contract capacity in Q4 2019 is 170MW while 420MW in Q4 2018.
FY 2019 vs FY 2018	Decrease due to lower contracted capacity (from 440.45MW in 2018 to 250.45MW in H1 2019 and 170.45MW in H2 2019). ASP decreased due to decreasing New Castle Index.
Spot Sales	
Q4 2019 vs Q4 2018	Higher spot sales in Q4 2019 due to lower BCQ requirements during Q4.
FY 2019 vs FY 2018	Lower spot sales in 2019 due to one unit running at a derated capacity of 200MW

Other Information:

- Of the total energy sold, 75.37% was sourced from own generation, while 24.63% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

SLPGC

The table below shows the comparative marketing data of SLPGC for 2019 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	2019					2018					Variance
	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	% Inc (Dec)
GWh											
Bilateral Contracts	90	252	88	9	439	125	231	74	131	561	-22%
Spot Sales	187	327	412	489	1,415	40	56	223	399	718	97%
GRAND TOTAL	**277**	**579**	**500**	**498**	**1,854**	**165**	**287**	**297**	**530**	**1,279**	**45%**
ASP in Php											
Bilateral Contracts	3.54	3.58	3.65	4.47	3.60	6.87	5.42	3.83	3.50	5.09	-29%
Spot Sales	4.38	6.15	3.06	4.92	4.59	2.88	3.61	3.21	2.88	3.04	51%
Average ASP	**4.10**	**5.03**	**3.17**	**4.91**	**4.36**	**5.90**	**5.07**	**3.36**	**3.03**	**3.94**	**11%**

Sales Volume

Bilateral Contracts	
Q4 2019 vs Q4 2018	Lower BCQ for Q4 due to no new BCQ contract for SLPGC
FY 2019 vs FY 2018	Lower vs LY due to the expiration of Mpower and VECO contracts
Spot sales	
Q4 2019 vs Q4 2018	Higher spot sales due to higher excess energy sold to WESM brought about by expired BCQ
FY 2019 vs FY 2018	Higher spot sales due to higher excess energy sold to WESM brought about by expired BCQ

- Of the total energy sold, 98.23% was sourced from own generation, while 1.77% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

III. FINANCE
A. Sales and Profitability
Revenues *(In million PhP)*

Before Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	6,536	7,944	-18%	Increase in sales volume by 194% partially offset by 32% decrease in ASP	32,282	30,696	5%	45% increase in volume sold slightly offset 22% decrease in ASP
SCPC	1,768	3,981	-56%	Decrease in sales volume 52% and 20% decrease in ASP due to lower NewCastle price index	6,985	13,744	-49%	Decrease in sales volume 42% and by 9% decrease in ASP due to lower NewCastle price index
SLPGC	2,444	1,603	52%	Increase in sales volume by 20% attributed to both plants running at near optimum capacity slightly offset by 6% decrease in ASP. Most of the revenue came from Spot	8,081	5,034	61%	Increase in sales volume 81% offset by 9% decrease in ASP due to expiration of contracts with higher prices.
Others	101	-	100%	Revenue from electricity trading	101		100%	Revenue from electricity trading
Total	10,748	13,528	-21%		47,348	49,474	-4%	

After Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	5,806	5,512	5%	Increase in sales volume by 194% partially offset by 32% decrease in ASP	29,085	23,186	25%	45% increase in volume sold slightly offset 22% decrease in ASP
SCPC	1,768	3,981	-56%	Decrease in sales volume 52% and 20% decrease in ASP due to lower NewCastle price index	6,985	13,744	-49%	Decrease in sales volume 42% and by 9% decrease in ASP due to lower NewCastle price index
SLPGC	2,444	1,603	52%	Increase in sales volume by 20% attributed to both plants running at near optimum capacity slightly offset by 6% decrease in ASP. Most of the revenue came from Spot	8,081	5,034	61%	Increase in sales volume 81% offset by 9% decrease in ASP due to expiration of contracts with higher prices.
Others	101	-	100%	Revenue from electricity trading	101		100%	Revenue from electricity trading
Total	10,119	11,096	-9%		44,252	41,964	5%	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	4,737	4,541	4%	Increased due to higher volume sold by 194%, higher parts and fuel costs offset by better strip ratio	19,761	15,756	25%	Increased due to higher volume sold by 45%, higher costs of production offset by better strip ratio
SCPC	1,016	2,716	-63%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.	6,129	9,307	-34%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.
SLPGC	1,047	1,038	1%	Higher volume sold	4,015	3,160	27%	Higher volume sold
Others	100	-	100%	Costs of electricity traded	100		100%	Costs of electricity traded
Total	6,799	8,295	-18%		29,904	28,223	6%	

After Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	4,160	3,399	22%	Increased due to higher volume sold by 194%, higher costs of production offset by better strip ratio	17,784	12,262	45%	Increased due to higher volume sold by 45%, higher costs of production offset by better strip ratio
SCPC	955	1,710	-44%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.	5,429	6,035	-10%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.
SLPGC	794	995	-20%	Higher volume sold	3,335	2,543	31%	Higher volume sold
Others	100	-	100%	Costs of electricity traded	100		100%	Costs of electricity traded
Total	6,008	6,104	-2%		26,647	20,840	28%	

Consolidated Gross Profit *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	1,647	2,113	-22%	Higher sales volume by 194% offset by the 32% lower ASP; Lower cost due to better strip ratio offset by higher spare parts and fuel costs	11,302	10,924	3%	Higher sales volume by 45% offset by the 22% lower ASP; Higher spare parts and fuel costs offset by better strip ratio
SCPC	812	2,270	-64%	Considerable decline in sales volume and the increase in replacement power and lower ASP. Replacement power cost is higher than selling price.	1,555	7,709	-80%	Considerable decline in sales volume and the increase in replacement power and lower ASP. Replacement power cost is higher than selling price.
SLPGC	1,650	608	171%	Increase (20%) in sales volume due to higher generation slightly offset by increase in fuel cost	4,746	2,491	90%	Considerable increase (81%) in sales volume due to higher generation slightly offset by increase in fuel cost
Others	2	-	100%	GP on electricity trading operations	2	-	100%	GP on electricity trading operations
Total	4,109	4,991	-18%		17,603	21,124	-17%	
GP %	41%	45%	-10%		40%	50%	-21%	

SEMIRARA MINING & POWER CORPORATION

Consolidated OPEX ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	1,229	666	85%	Higher government royalty due to better profitability	4,622	4,328	7%	Lower government royalty due to decline in profitability
SCPC	416	732	-43%	Accelerated depreciation is only for unit 2 amounting to PhP165 million while prior year accelerated depreciation covers unit 1 and 2 amounting to 315 million.	1,780	2,659	-33%	Accelerated depreciation is only for unit 2 amounting to PhP495 million while prior year accelerated depreciation covers unit 1 and 2 amounting to 945 million.
SLPGC	307	261	18%	Increase mainly due to increased insurance premium for the plant and depreciation	947	767	23%	Increase mainly due to increased insurance premium for the plant and depreciation
Others	6	(6)	100%	Pre-operating expenses of subsidiaries	16	20	100%	Pre-operating expenses of subsidiaries
Total	1,958	1,653	18%		7,365	7,774	-5%	

Consolidated Finance Income ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	10	3	191%	Lower temporary cash placements	24	63	-62%	Lower temporary cash placements
SCPC	21	9	142%	higher cash placements	203	23	794%	Mainly pertains to the interest income on receivable from PSALM
SLPGC	21	13	57%	Minimal temporary cash placements	55	42	30%	Minimal temporary cash placements
Others	1	-	100%	Interest income on cash placements	1	-	100%	Interest income on cash placements
Total	53	25	110%		283	128	121%	

Consolidated Finance Charges ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	96	178	-46%	Higher debt level; higher borrowing rates	535	425	26%	Higher debt level; higher borrowing rates
SCPC	122	69	77%	Higher debt level; higher borrowing rates	393	189	108%	Higher debt level; higher borrowing rates
SLPGC	84	85	-1%	Increase in interest rates on LTD and additional short term borrowing	389	329	18%	Increase in interest rates on LTD and additional short term borrowing
Others	0	-	100%	Minimal bank charges	0	-	100%	Minimal bank charges
Total	302	332	-9%		1,317	943	40%	

Consolidated Foreign Exchange Gain / (Loss) ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(59)	129	-146%	Unrealized and realized Fx gain due to PhP depreciation; end of the quarter FX-PhP51.83:USD1, quarter-end 2018 FX-PhP54.02:USD1	(7)	(366)	-98%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2018 FX-PhP52.58:USD1, Q3 2019 end FX-PhP51.83:USD1
SCPC	2	59	-97%	Realized loss on its foreign currency denominated transactions	(1)	(18)	-92%	Realized loss on its foreign currency denominated transactions
SLPGC	(2)	(4)	-100%	Realized loss on its foreign currency denominated transactions	(0)	(5)	-100%	Realized loss on its foreign currency denominated transactions
Total	(60)	185	-132%		(9)	(388)	-98%	

Consolidated Other Income ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(119)	28	-526%	Loss on disposal of unserviceable assets	(8)	37	-122%	Loss on disposal of unservieable asset offset by recoveries of insurance claims
SCPC	(9)	112	-108%	Lower fly ash sold during the quarter	82	203	-59%	Lower fly ash sold plus insurance proceeds during the year
SLPGC	(296)	332	-189%	Actual insurance recoveries of PhP 632M	109	368	-70%	Actual insurance payment o PhP 632M offset by realized loss on financial contract PhP286
Others	3	-	100%	Miscellaneous income from non-operating subsidiaries	3	-	100%	SCRes electricity spot sales
Total	(421)	472	-189%		186	608	-69%	

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Consolidated NIBT *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	155	1,430	-89%	Stronger performance offset by lower ASP due to declining Global prices	6,154	5,905	4%	Stronger performance offset by lower ASP due to declining Global prices
SCPC	289	1,649	-83%	Weaker plant performance due to Unit 1 shutdown for the LEP, commissioning started in the later part of Q3. Unit 2 unplanned shutdown due to tubeleaks. Replacement power has higher cost than selling price.	(333)	5,069	-107%	Weaker plant performance due to Unit 1 shutdown for the LEP, commissioning started in the later part of Q3. Unit 2 unplanned shutdown due to tubeleaks. Replacement power has higher cost than selling price.
SLPGC	982	604	63%	Much improved performance of both plants for the quarter pushed the profitability increased by collection of insurance payment for U3	3,573	1,801	98%	Much improved performance of both plants for the year pushed the profitability increased by collection of insurance payment for U3
Others	(0)	5	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(10)	(21)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	1,426	3,689	-61%		9,384	12,755	-26%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(62)	9	-797%	Final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	(59)	20	-397%	Lower final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	100	213	-53%	Lower profitability resulted to lower income taxes	(278)	562	-150%	Lower profitability resulted to lower income taxes
SLPGC	(45)	106	-142%	Higher final tax on flyash sales; SLPGC has Income Tax Holiday as a BOI-registered	41	148	-72%	Final tax on interest income from placements and flyash sales; SLPGC has Income Tax Holiday
Others	1	-	100%	Minimal income tax on pre-operating income	1	-	100%	Minimal income tax on pre-operating income
Total	(7)	327	-102%		(296)	729	-141%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	369	2,761	-87%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio	7,432	9,951	-25%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio
SCPC	129	432	-70%	Negative profitability resulted to negative income taxes	(754)	1,236	-161%	Negative profitability resulted to negative income taxes
SLPGC	773	454	70%	Much improved performance of both plants for the quarter pushed the profitability buoyed by recognition of income from insurance collection	2,851	1,036	175%	Much improved performance of both plants for the year pushed the profitability buoyed by recognition of income from insurance collection
Others	(1)	(174)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Scres electricity trading	(11)	(200)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Scres electricity trading

After Eliminations (Consolidated)

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	216	1,421	-85%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio	6,213	5,885	6%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio
SCPC	189	1,437	-87%	Weaker plants' performance, higher replacement power and recognition of accelerated depreciation in 2019	(55)	4,508	-101%	Weaker plants' performance, higher replacement power and recognition of accelerated depreciation in 2019
SLPGC	1,027	498	106%	Much improved performance of both plants for the quarter pushed the profitability	3,532	1,653	114%	Much improved performance of both plants for the quarter pushed the profitability
Others	(1)	5	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(11)	(21)	-100%	Pre-operating expenses of Semirara Claystone Inc
Total	**1,431**	**3,361**	**-57%**		**9,679**	**12,025**	**-20%**	

B. Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached PhP17.34 billion 14% lower than last year. After changes in working capital, cash provided by operation netted to PhP24.14 billion. With the consolidated loan availments amounted of PHP47.49 billion, representing Coal and SLPGC bridge financing and SCPC's loan to fund CAPEX for the Life Extension Program. Combined with beginning Cash of PHP1.90 billion, total consolidated Cash available during the period stood at PHP73.43 billion.

Of the available cash, PHP12.38 billion was used to fund major CAPEX, mine development and other investments. The Company also paid cash dividend and serviced debts amounting to PhP5.30 billion and PHP49.42 billion respectively. Ending cash closed at PHP6.47 billion, a 238% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP3.24 billion, PHP269.48 million, and PHP2.86 billion, respectively. Other pre-operating business closed with a total cash balance of PHP88.57 million.

Consolidated Current ratio slightly improved to 1.54x from 1.26x at the start of the year.

C. Financial Condition

ASSETS

Cash

	12/31/2019	12/31/2018	Variance	Remarks
Coal	3,244	864	276%	Higher cash generated from operations
SCPC	269	304	-11%	Timing of cash proceeds from short term borrowings for operations
SLPGC	2,855	674	324%	Higher cash generated from operations due to better plant performance
Others	89	61	45%	Cash generation from electricity trading operations
Total	**6,457**	**1,903**	**239%**	

Consolidated Receivables

	12/31/2019	12/31/2018	Variance	Remarks
Coal	945	2,445	-61%	Mainly due to the timing of collection of receivables vis-à-vis increase in cash
SCPC	1,365	3,913	-65%	Due to collection at the end of month. Bilateral contract and generation are also lower resulting to lower receivables.
SLPGC	1,309	940	39%	Lower sales in September 2019 by 46%
Others	22	3	641%	SCRes receivable on electricity sold
Total	**3,642**	**7,301**	**-50%**	

Consolidated Inventories

	12/31/2019	12/31/2018	Variance	Remarks
Coal	6,385	7,799	-18%	Increase mainly due to lower cost of coal inventory of 2.7 million tons valued at PhP2.10 billion; higher cost of materials, spare parts, major equipment components of PhP 4.20 billion and fuel and lubricants of PhP1.20 billion
SCPC	2,322	3,349	-31%	Mainly comprised of spare parts inventory for corrective, preventive and predictive maintenance program and for on going Life extension project (LEP) amounting to PhP3.9 billion; coal inventory costs PhP298.7 million.
SLPGC	1,513	1,215	24%	Increase mainly due Coal at PhP 676.9 million and insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program amounting to PhP407.8 million; Diesel at PhP99.3 million, other supplies at PhP506.2 million, Limestone at PhP99.0
Total	**10,220**	**12,363**	**-17%**	

Consolidated Other Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	863	1,443	-40%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php449.50 million and Php413.50 million, respectively
SCPC	172	1,405	-88%	Mainly comprised of prepaid, rentals, insurance and other expense
SLPGC	246	1,272	-81%	Mainly comprised of input tax and prepaid rent and insurance
Total	**1,285**	**4,121**	**-69%**	

Consolidated Total Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	11,436	12,551	-8%	Please refer to above explanation
SCPC	4,129	8,972	-36%	
SLPGC	5,923	4,101	11%	
Others	115	64	96%	
Total	**21,603**	**25,688**	**-11%**	

Consolidated PPE

	12/31/2019	12/31/2018	Variance	Remarks
Coal	10,725	11,898	-10%	PhP2.0 billion capex offset by the depreciation of PhP3.20 billion
SCPC	21,060	14,908	41%	Capex of PhP4.5 billion for the LEP, offset by depreciation of PhP1.4 billion
SLPGC	15,828	16,699	-5%	Additional Capex of PhP400 million, offset by depreciation of PhP994 million
Others	17	14	19%	Miscellaneous asset of pre-operating subsidiaries
Total	**47,631**	**43,520**	**9%**	

Investment in JV

	12/31/2019	12/31/2018	Variance	Remarks
Coal	45	51	-12%	Additional contribution to the Joint Venture
Total	**45**	**51**	**-12%**	

Consolidated Other Non-Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	321	602	-47%	Comprised of VAT receivable from BIR, Software cost and right of use assets; The decrease pertain to the applied advance payment made to equipment orders
SCPC	1,461	568	157%	Mainly consists of prepaid leases, right of use assets; The input tax was applied/offset against output tax.
SLPGC	254	184	38%	Unrealized input VAT PhP 58 million and FV of Financial asset PhP 241 million
Others	5	-	100%	Deposit for distribution wheeling service
Total	**2,042**	**1,355**	**51%**	

Consolidated Deferred Tax Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	197	67	195%	Mainly related to remeasurement losses on Pension Plan
SCPC	679	368	84%	Mainly related to provision for doubtful account and deferred revenue
SLPGC	13	(0)	100%	Mainly related to provision for doubtful account
Total	**888**	**435**	**104%**	

Consolidated Total Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	22,725	25,169	-10%	Please refer to above explanation
SCPC	27,329	24,816	10%	
SLPGC	22,018	20,985	5%	
Others	137	79	74%	
Total	**72,209**	**71,049**	**2%**	

LIABILITIES

Accounts and Other Payables

	12/31/2019	12/31/2018	Variance	Remarks
Coal	5,073	7,130	-29%	Slight increase merely in the timing of payment of payables
SCPC	2,358	2,066	14%	Slight decrease merely in the timing of payment of payables
SLPGC	1,012	745	36%	Slight increase merely in the timing of payment of payables
Others	8	5	55%	Pertain to SCRES electricity customer deposit
Total	**8,452**	**9,946**	**-15%**	

Short-term Loans

	12/31/2019	12/31/2018	Variance	Remarks
Coal	-	2,250	-100%	Availment of bridge financing
SCPC	2,070	3,622	-43%	Availment of bridge financing for LEP and other operational needs.
Total	**2,070**	**5,872**	**100%**	

Current Portion of Long-term Debt

	12/31/2019	12/31/2018	Variance	Remarks
Coal	2,425	2,850	-15%	Payment of maturing LTD during the year
SCPC	385	-	0%	Comprised of maturing LTD within a year
SLPGC	649	1,704	-62%	Comprised of maturing LTD within a year
Total	**3,459**	**4,554**	**-24%**	

Current Portion of Lease Liability

	12/31/2019	12/31/2018	Variance	Remarks
Coal	11	-	100%	Lease liabilty due within a year
SCPC	4	-	100%	Lease liabilty due within a year
Total	**14**	**-**	**100%**	

Total Current Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	7,509	12,230	-39%	
SCPC	4,817	5,688	-15%	
SLPGC	1,661	2,449	-32%	Please refer to above explanation
Others	8	5	55%	
Total	**13,995**	**20,372**	**-31%**	

Long-Term Debt - Net of Current Portion

	12/31/2019	12/31/2018	Variance	Remarks
Coal	2,475	2,806	-12%	Loans maturing within a year reclassified to current portion
SCPC	7,271	2,988	143%	Loan availment for the Life Extension Project
SLPGC	3,322	4,249	-22%	Payment of quarterly amortization
Total	**13,068**	**10,043**	**30%**	Decrease due to debt repayments

Pension Liability

	12/31/2019	12/31/2018	Variance	Remarks
Coal	272	156	75%	Accrual of pension obligation
SCPC	9	22	-58%	Accrual of pension obligation
SLPGC	14	39	-64%	Accrual of pension obligation
Total	**295**	**216**	**36%**	

Provision for Site Rehabilitation

	12/31/2019	12/31/2018	Variance	Remarks
Coal	500	402	24%	Additional provision for plant decommissioning
SCPC	18	16	9%	Additional provision for plant decommissioning
SLPGC	5	5	8%	Minimal additional provision for plant decommissioning
Total	**523**	**423**	**23%**	

Deferred Tax Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
SLPGC	-	62	-100%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**-**	**62**	**-100%**	

Other *Long-Term Liabilities*

	12/31/2019	12/31/2018	Variance	Remarks
Coal	62		100%	Lease liabilities non-current portion
SCPC	31		100%	Lease liabilities non-current portion
Total	**93**	**-**	**100%**	

Total Non-Current Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	3,309	3,364	-2%	
SCPC	58	38	53%	
SLPGC	7,290	3,093	136%	Please refer to above explanation
Others	3,322	4,249	-22%	
Total	**13,979**	**10,744**	**30%**	

Total Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	10,818	15,595	-31%	
SCPC	4,875	5,726	-15%	
SLPGC	8,951	5,542	62%	Please refer to above explanation
Others	3,330	4,254	-22%	
Total	**27,974**	**31,116**	**-10%**	

EQUITY

Capital Stock

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	740	740	0%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in H1 2018

Remeasurement Gain / (Losses) on Pension Plan

	12/31/2019	12/31/2018	Variance	Remarks
Coal	(96)	(38)	152%	Actuarial valuation adjustment on pension plan
SCPC	4	4	16%	No Movement
SLPGC	(6)	(2)	314%	Actuarial valuation adjustment on pension plan
Total	**(98)**	**(36)**	**173%**	

Retained Earnings / (Losses)

	12/31/2019	12/31/2018	Variance	Remarks
Coal	18,749	13,936	35%	Better profitability partially offset by the cash dividend paid
SCPC	6,765	10,091	-33%	Income for the period offset by payment of cash dividend
SLPGC	8,827	5,938	49%	Income for the period offset by payment of cash dividend
Others	(208)	(197)	6%	Expenses of pre-operating subsidiaries
Total	**34,133**	**29,768**	**15%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – Consolidated net income after tax down by 20% as coal ASP went down by 22% and power generation down dropped by 22% YOY.
2. **Dividend Payout** – Strong profitability and high liquidity the Company declared regular cash dividend of PhP1.25 per share on 18 March 2019 paid on 26 April 2019.
3. **Debt-to-Equity Ratio** –DE slightly improved to 0.63x from 0.78x at the start of the year despite cash dividend declaration.
4. **Net Profit Margin** – Net profit margin dropped to 22% due to weakening coal prices.
5. **Current Ratio** – Cash position remains healthy despite cash dividend payment on April 26, 2019. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.54:1.

FULL YEARS 2017-2018

PRODUCTION

With the favorable weather condition in the 4th quarter, the company ramped up production to 4.0 million MT showing a 29% increase from 3.1 million MT last year same period. However, fell short to catch up with the production delays in 3th quarter caused by prolonged heavy rains. Consequently, production slowed by 2% to 12.9 million metric tons (MT) from 13.2 million MT in 2017.

Materials moved increased by 18% year-on-year to 164.3 million bank cubic meter (BCM) from 135.4 million BCM against last year because of increase in excavating capacity.

Strip ratio (the amount of overburden materials over the amount of coal extracted) increased to 12.0:1 from 9.5:1 due mainly to the ongoing rehabilitation of Panian mine. Excluding the rehabilitation, strip ratio in 2018 actually stood within normal range at 10.2:1.

The table below shows the coal segment's comparative production data for 2018 and 2017.

PRODUCTION	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	Variance
Total Materials (M BCM)	40.5	41.9	34.6	47.4	164.3	35.2	36.3	30.4	33.5	135.4	21%
Overburden (M BCM)	37.6	39.7	33.4	44.5	155.1	32.3	33.8	28.5	31.2	125.9	23%
Coal Production (MMT)	4.1	3.1	1.7	4.0	12.9	4.0	3.5	2.6	3.1	13.2	-2%
Strip Ratio	9.1	12.8	19.8	11.0	12.0	8.0	9.8	11.0	10.0	9.5	-26%
Coal inventory (M Tons)	2.5	1.9	2.1	3.0	3.0	1.8	1.7	2.5	1.7	1.7	76%

POWER
SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The graph below illustrates SCPC's comparative production data for 2018 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA

	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	447	481	452	432	1,813	-	361	484	542	1,387	*31%*
Unit 2	-	383	524	562	1,469	562	460	636	470	2,128	*-31%*
Total Plant	**447**	**864**	**976**	-	**3,281**	**562**	**821**	**1,120**	**1,012**	**3,515**	***-7%***
% Availability											
Unit 1	83%	96%	100%	100%	95%	0%	67%	84%	94%	62%	*53%*
Unit 2	0%	66%	86%	90%	61%	92%	79%	99%	75%	86%	*-30%*
Total Plant	**41%**	**81%**	**93%**	**95%**	**78%**	**46%**	**73%**	**92%**	**85%**	**70%**	***10%***
Capacity Factor											
Unit 1	69%	73%	68%	66%	69%	0%	54%	73%	83%	53%	*31%*
Unit 2	0%	58%	79%	86%	56%	87%	69%	96%	72%	81%	*-31%*
Total Plant	**34%**	**65%**	**74%**	**76%**	**62%**	**43%**	**62%**	**85%**	**77%**	**67%**	***-7%***

Unit 1

Gross Generation	
Q4 2018 vs Q4 2017	The Unit ran continuously in the current quarter at an average capacity of 198MW due to varying coal properties. After the unit's scheduled maintenance last year, it was operating more reliably in Q4 2017.
FY 2018 vs FY 2017	The Unit ran at an average capacity of 219MW as of December 2018. The unit underwent scheduled maintenance shutdown in Q1 2017; the activity effectively increased its output capacity to up to 250MW using Semirara coal from 150MW previously.

Availability	
Q4 2018 vs Q4 2017	The unit is 100% available registering 2,184 hours in Q4 2018 and for 2,058 hours In Q4 2017.
FY 2018 vs FY 2017	The unit ran without interruption from start of the year, except for a 15-day outage in March due to boiler slagging and a 4-day outage in June due to repair of boiler tube leaks. It was on extended shutdown last year to allow additional maintenance works; the activity effectively increased its output capacity to up to 250MW using Semirara coal from 150MW previously.

Unit 2

Gross Generation	
Q4 2018 vs Q4 2017	The unit operated for 1,955 hours in Q4 2018 at 288MW. It operated for 1,637 hours In Q4 2017 at 287MW.
FY 2018 vs FY 2017	The Unit was down the whole of Q1 2018 for scheduled maintenance and came back in operation only in the second week of April this year.

Availability	
Q4 2018 vs Q4 2017	The unit operated for 1,955 hours in Q4 2018 and for 1,637 hours In Q4 2017

FY 2018 vs FY 2017	The decrease is due to extended shutdown of the unit. This was originally scheduled for a 90-day maintenance shutdown which started on 15th December 2017. This was extended to allow additional maintenance works and to ensure power availability during summer months. It operated for a total of 5,315 hours in YTD 2018 and 7,562 hours in YTD 2017.

Significant Event(s):

- Unit 2 was down until the first week of April 2018 for scheduled maintenance which started on 15 December 2017. This was originally scheduled for a 90-day maintenance shutdown. However, it was extended to allow additional maintenance works and to ensure power unit availability during the summer months, as well as to extend the economic life of the unit. Unit 1 ran continuously during the whole 2nd half of 2018.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The graph below illustrates SLPGC's comparative production data for 2018 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA

Q4'18 vs Q4 '17

	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Tot Yr '18	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Tot Yr '17	% Inc (Dec)
Gross Generation, GWh											
Unit 3	121	-	12	274	406	147	295	262	108	812	-50%
Unit 4	74	247	319	321	962	74	287	111	122	594	62%
Total Plant	**195**	**247**	**331**	**595**	**1,368**	**221**	**582**	**373**	**229**	**1,406**	**-3%**
% Availability											
Unit 3	51%	0%	6%	92%	37%	58%	97%	91%	39%	71%	-48%
Unit 4	45%	79%	99%	100%	81%	30%	97%	100%	90%	80%	2%
Total Plant	**48%**	**40%**	**53%**	**96%**	**59%**	**44%**	**97%**	**95%**	**64%**	**75%**	**-22%**
Capacity Factor											
Unit 3	37%	0%	4%	84%	31%	45%	89%	79%	33%	62%	-50%
Unit 4	23%	75%	96%	98%	73%	23%	91%	91%	61%	67%	10%
Total Plant	**30%**	**37%**	**50%**	**91%**	**47%**	**34%**	**90%**	**85%**	**47%**	**64%**	**-27%**

Unit 3

Gross Generation	
Q4 2018 vs Q4 2017	Higher plant performance due to improved availability for Q4 2018
FY 2018 vs FY 2017	Lower plant performance (lower operating hours at 3,240 hrs vs 6,243 hrs LY and lower average capacity 125MW vs 130MW of LY) contributed to the lower

Availability	
Q4 2018 vs Q4 2017	Higher availability for Q4 2018 vs 2017 due to improved performance after rotor repair
FY 2018 vs FY 2017	Almost same availability performance vs last year. Total year performance improved because of better Q4 2018

Capacity Factor	
Q4 2018 vs Q4 2017	Higher capacity factor due to higher availability in Q4
FY 2018 vs FY 2017	Decrease due to outage that started on March 6, 2018 and continued until Sep 20, 2018 for the repair of HIP and LP rotor

Unit 4

Gross Generation	
Q4 2018 vs Q4 2017	Increase due to the continuous operation of the unit with almost nil hours shutdown for the quarter
FY 2018 vs FY 2017	Higher by 62% because of the continuous operation by the unit with maximum capacity

Availability	
Q4 2018 vs Q4 2017	Higher availability due to improved performance of the unit
FY 2018 vs FY 2017	Slightly higher availability due to improved performance for Q4

Capacity Factor	
Q4 2018 vs Q4 2017	Higher capacity factor due to higher availability in Q4
FY 2018 vs FY 2017	Increase in capacity factor by 10% due to improved average capacity vs last year (136MW vs 125MW LY) and higher availability

Significant event/s:

- Both Units 3 and 4 are already on commercial operations since August 2016.
- The ERC granted the Certificate of Compliance, permitting both plants to run at its maximum capacity of 150 MW, on May 15, 2017.
- Taking over certificate for the 2x150MW Plant is effective starting 5 July 2017.
- Certificate of Compliance was issued by the ERC to the 2x25MW Gas Turbine project last March 1, 2018

MARKETING – COMPARATIVE REPORT FOR 2018 AND 2017
Coal
The table below shows the coal comparative sales volume data for 2018 and 2017

SALES VOLUME *(in thousand MT)*														
Customer	Q1	Q2	Q3	Q4	2018	%	Q1	Q2	Q3	Q4	2017	%	Diff	Inc (Dec) %
Power Plants	1,355	1,404	1,026	1,276	5,061	44%	1,134	1,469	1,247	1,488	5,337	41%	(277)	-5%
Cement	258	236	230	191	915	8%	163	270	207	176	817	6%	98	12%
Others Plants	171	210	127	120	628	5%	113	111	149	194	567	4%	61	11%
Local	1,783	1,849	1,383	1,587	6,603		1,410	1,849	1,604	1,858	6,721		(118)	-2%
Export	1,634	1,608	48	1,669	4,960	43%	2,206	863	1,913	1,401	6,384	49%	(1,424)	-22%
TOTAL	3,418	3,458	1,432	3,256	11,563	100%	3,616	2,713	3,517	3,259	13,105	100%	(1,542)	-12%
ASP	2,786	2,637	2,900	2,438	2,655		2,250	1,982	2,152	2,485	2,255		399	18%

Power Plants	
Q4 2018 vs Q4 2017	Decrease in lifting of other plants
FY 2018 vs FY 2017	Lower demand from other plants and drop in the consumption of out own plants

Cement Plants	
Q4 2018 vs Q4 2017	Increase in demand of existing customer returning customer
FY 2018 vs FY 2017	Increase in demand of existing customer returning customer

Other Industrial Plants

Q4 2018 vs Q4 2017	Decrease in the demand of existing customer
FY 2018 vs FY 2017	Decrease in the demand of existing customer

Export	
Q4 2018 vs Q4 2017	Increase in production to meet existing demand
FY 2018 vs FY 2017	Lower production in Q3 to meet the existing demand of export buyers

Average Selling Price (ASP)	
Q4 2018 vs Q4 2017	Export price went down because of the temporary coal import restriction from China
FY 2018 vs FY 2017	Higher NewCastle Index and foreign exchange rate (PhP : USD)

POWER
SCPC

The table below shows the comparative marketing data of SCPC for 2017 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA
(in GWh)

CUSTOMER	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	% Inc (Dec)
GWh											
Bilateral Contracts	408	865	909	874	3,056	586	736	1,031	969	3,321	-8%
Spot Sales	3	79	95	109	286	1	79	76	83	238	20%
GRAND TOTAL	**410**	**945**	**1,005**	**983**	**3,342**	**586**	**814**	**1,108**	**1,052**	**3,560**	**-6%**
ASP in Php											
Bilateral Contracts	5.08	3.79	4.15	4.19	4.18	4.13	3.66	3.65	3.86	3.80	10%
Spot Sales	12.24	3.89	3.17	2.97	3.37	5.41	3.16	3.44	2.90	3.17	7%
Average ASP	**5.13**	**3.80**	**4.05**	**4.05**	**4.11**	**4.13**	**3.61**	**3.63**	**3.78**	**3.75**	**10%**

Bilateral Contracts	
Q4 2018 vs Q4 2017	Decrease due to lower contracted capacity (from 540.45MW in Q4 2017 to 420.45MW in Q4 2018). 2017 includes replacement power contract of 100MW and Batelec contract of 20MW which expired in March 2018. ASP increased due to higher New Castle Index.
FY 2018 vs FY 2017	2017 includes replacement power contract of 100MW from June 26, 2017 to November 25, 2017 and Batelec contract of 20MW which expired in March 25, 2018. ASP increased due to higher New Castle Index.

Spot Sales	
Q4 2018 vs Q4 2017	Increases due to excess generation against contracted energy. ASP is slightly higher in the current quarter.
FY 2018 vs FY 2017	Increase in spot sales due to lower contracted energy.

Other Information:

- Of the total energy sold, 93% was sourced from own generation, while 7% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

- Existing Bilateral Contracts

SCPC Power Supply Contracts			
Customers	**Terms**	**No. Years / Mos.**	**Contract Demand (MW)**
Meralco DU	December 26, 2011 - December 25, 2018	7	250
MPower	June 26, 2013 - December 25, 2018	5	170
ECSCO	March 26, 2017 - March 25, 2019	2	0.45
Total			**420.45**

SLPGC
The table below shows the comparative marketing data of SLPGC for 2018 and 2017 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA *(in GWh)*											
CUSTOMER	**Q1**	**Q2**	**Q3**	**Q4**	**2018**	**Q1**	**Q2**	**Q3**	**Q4**	**2017**	**% Inc (Dec)**
Bilateral Contracts	125	231	74	130	431	177	266	459	249	1,151	-63%
Spot Sales	40	56	223	398	319	62	266	79	41	448	-29%
GRAND TOTAL	165	287	298	529	750	239	532	538	290	1,599	-53%
ASP in PhP											
Bilateral Contracts	6.87	5.42	3.83	3.50	5.09	5.27	5.16	4.23	5.81	4.94	3%
Spot Sales	2.88	3.61	3.21	2.88	3.04	3.46	3.09	3.08	2.83	3.12	-3%
Average SP	**5.90**	**5.07**	**3.36**	**3.03**	**3.94**	**4.80**	**4.12**	**4.06**	**5.39**	**4.43**	**-11%**

Sales Volume

Bilateral Contracts	
Q4 2018 vs Q4 2017	Decrease due lower nomination of bilateral contract and expiration of 42MW contract
FY 2018 vs FY 2017	Decrease due lower nomination of bilateral contract and expiration of 42MW contract

Spot sales	
Q4 2018 vs Q4 2017	higher spot sales attributed to higher excess generation sold to spot because of end of 42MWcontract.
FY 2018 vs FY 2017	higher spot sales attributed to higher excess generation sold to spot because of end of 42MWcontract.

Average Selling Price (ASP)

Bilateral Contracts ASP	
Q4 2018 vs Q4 2017	Decrease in ASP due to lowering of contract price from July 2018
FY 2018 vs FY 2017	Slight increase in ASP of 2018 attributable to payment of capacity fee on the first half of the year slightly offset by the lowering of BCQ price starting July

Spot Sales ASP	
Q4 2018 vs Q4 2017	Sales to WESM are at higher price intervals
FY 2018 vs FY 2017	Sales to WESM are at lower price intervals

III. FINANCE
A. Sales and Profitability
Revenues *(In million PhP)*

SEMIRARA MINING & POWER CORPORATION

Before Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	7,944	8,646	-8%	Same in sales volume but lower in Average Selling Price (ASP) by 2%	30,696	29,667	3%	Decreased in sales volume 12% offset by 18% increase in ASP due higher NewCastle price index
SCPC	3,981	3,979	0%	Decreased in sales volume by 7% offset by 7% increase in ASP due higher NewCastle price index	13,744	13,366	3%	Decreased in sales volume 6% offset by 10% increase in ASP due higher NewCastle price index
SLPGC	1,603	1,562	3%	Higher generation resulted to 3% increase in energy sales; increase is offset by 44% decrease in ASP (due to fixed capacity fee)	5,034	7,088	-29%	Lower generation and an 11% decrease in ASP resulted to 29% decline in energy sales
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading

After Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	5,512	6,469	-15%	Same in sales volume but lower in ASP by 2%	23,186	23,490	-1%	Decreased in sales volume 12% offset by 18% increase in ASP due higher NewCastle price index
SCPC	3,981	3,979	0%	Decreased in sales volume by 7% offset by 7% increase in ASP due higher NewCastle price index	13,744	13,366	3%	Decreased in sales volume 6% offset by 10% increase in ASP due higher NewCastle price index
SLPGC	1,603	1,562	3%	Higher generation resulted to 3% increase in energy sales; increase is offset by 44% decrease in ASP (due to fixed capacity fee)	5,034	7,088	-29%	Lower generation and an 11% decrease in ASP resulted to 29% decline in energy sales
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading
Total	11,100	12,011	-8%		41,969	43,943	-4%	

Costs of sales

Before Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	4,541	4,789	-5%	Lower cost per MT due to higher production	15,756	15,141	4%	Higher strip ratio, lower production and increase in parts and fuel costs pushed COS/MT; despite lower volume sold
SCPC	2,716	2,838	-4%	Lower spot purchases	9,307	8,093	15%	Higher fuel cost and spot purchases
SLPGC	1,038	906	15%	Unit offline until 3rd week of September	3,160	3,197	-1%	Significant purchases of replacement power and higher coal consumption per generation
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading

After Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	3,399	4,294	-21%	Decreased due to lower volume sold and higher production to offset the increase in fuel and materials cost and higher strip ratio	12,262	11,910	3%	Higher strip ratio and increase in parts and fuel costs pushed COS/MT; despite lower volume sold
SCPC	1,711	1,727	-1%	Lower fuel cost and spot purchases	6,035	5,871	3%	Higher fuel cost and spot purchases
SLPGC	995	417	139%	Higher generation for the quarter	2,543	2,552	0%	Higher coal consumption per generation and higher coal price per MT
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading
Total	6,108	6,437	-5%		20,844	20,333	3%	

Consolidated Gross Profit *(In million PhP)*

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	2,113	2,175	-3%	Decrease is due to lower ASP partially offset by the lower cost per MT	10,924	11,579	-6%	Lower sales volume at higher cost due to unfavorable strip ratio and cost of fuel, parts and supplies offset by the increase in ASP
SCPC	2,271	2,253	1%	Considerable decline in sales volume and the increase in fuel cost offset by higher ASP	7,709	7,495	3%	Considerable decline in sales volume and the increase in fuel cost offset by higher ASP
SLPGC	608	1,146	-47%	Considerable decline in sales volume and the increase in fuel cost	2,491	4,536	-45%	Considerable decline in sales volume and the increase in fuel cost offset
Total	4,992	5,573	-10%		21,124	23,610	-11%	
GP %	45%	46%	-3%		50%	54%	-6%	

Consolidated OPEX *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	910	1,505	-40%	Lower profitablity drove government royalty down	4,328	5,000	-13%	Lower profitablity drove government royalty down
SCPC	732	1,321	-45%	Accelerated depreciation of Units 1 & 2	2,659	2,260	18%	Accelerated depreciation of Units 1 & 2 amounting to PhP347 million accounted for the increase
SLPGC	262	245	7%	Difference in amortization of RPT, Consultancy and O&M Fees	767	767	0%	Slight decrease mainly due to lower amortization of RPT and other costs
Others	(6)	161	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	20	179	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	1,898	3,233	-41%		7,775	8,205	-5%	

Consolidated Finance Income *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	4	12	-69%	Lower temporary cash placements	63	51	23%	Higher temporary cash placements
SCPC	9	2	279%	Higher temporary cash placements	23	9	160%	Higher temporary cash placements
SLPGC	13	7	81%	Lower temporary cash placements	42	36	18%	Higher temporary cash placements
Ohers	1	1	0%		1	1	0%	
Total	27	22	21%		129	96	34%	

Consolidated Foreign Exchange Gain / (Loss) *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	129	(39)	-435%	Unrealized and realized Fx gain due to PhP depreciation; start of the quarter FX-PhP54.02:USD1, quarter-end 2018 FX-PhP52.58:USD1	(366)	(280)	30%	Unrealized and realized Fx loss due to PhP depreciation; year-end 2017 FX-PhP49.93:USD1, quarter-end 2018 FX-PhP52.58:USD1
SCPC	60	(15)	-503%	Realized loss on its foreign currency denominated transactions	(18)	(105)	-83%	Realized loss on its foreign currency denominated transactions
SLPGC	(4)	(7)	-100%	Realized loss on its foreign currency denominated transactions	(5)	(7)	-100%	Realized loss on its foreign currency denominated transactions
Total	185	(60)	-407%		(388)	(392)	-1%	

Consolidated Other Income *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	28	48	-41%	Booked income from disposal of equipment and insurance recoveries in 2017	37	127	-71%	Booked income from disposal of equipment and insurance recoveries in 2017
SCPC	112	414	-73%	Higher fly ash sold	203	510	-60%	Lower fly ash sold
SLPGC	333	394	-16%	Higher fly ash sold and income on financial contract	368	438	-16%	Lower fly ash sold and loss on financial contract
Total	473	855	-45%		608	1,076	-43%	

Consolidated NIBT *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	1,184	545	117%	Better performance and higher price	5,904	6,122	-4%	Weaker performance offset by higher price
SCPC	1,650	1,311	26%	Lower average load of Unit 1, but higher availability of Unit 2	5,069	5,590	-9%	Lower average load of Unit 1
SLPGC	604	1,216	-50%	Unit 3 outage	1,801	3,931	-54%	Unit 3 outage
Others	7	(161)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(178)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	3,445	2,911	18%		12,755	15,464	-18%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	9	24	-65%	Final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	20	30	-34%	Higher final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	213	85	152%	Stronger plants' performance of Unit 2 in 2018, with accelerated depreciation recognized starting Q4 2017	562	1,036	-46%	Weaker plants' performance and recognition of accelerated depreciation in 2018
SLPGC	106	145	-27%	Higher final tax on flyash sales; SLPGC has Income Tax Holiday as a BOI-registered enterprise	148	189	-22%	Lower final tax on interest income from placements and lower flyash sales YTD; SLPGC has Income Tax Holiday as a BOI-registered enterprise
OTHERS	0	0	65%		0	0	65%	
Total	328	254	29%		730	1,255	-42%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	2,267	2,204	3%	Higher production offset by lower ASP	9,701	9,041	7%	Higher ASP offset by the lower production and volume sold; higher costs of sales due to higher strip ratio and production costs
SCPC	431	115	274%	Higher energy prices offset by accelerated depreciation	1,236	2,331	-47%	Higher price offset by accelerated depreciation recognized starting Q4 2017
SLPGC	455	582	-22%	Weaker plants' performance in 2018	1,036	3,098	-67%	Weaker plants' performance in 2018
Others	7	(4)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(22)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc

After Eliminations (Consolidated)

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	1,176	521	126%	Higher production offset by lower ASP	5,884	6,092	-3%	Lower production and volume sold; higher costs of sales due to higher strip ratio and production costs offset by higher ASP
SCPC	1,437	1,227	17%	Higher energy prices offset by accelerated depreciation	4,508	4,554	-1%	Higher price offset by accelerated depreciation recognized starting Q4 2017
SLPGC	498	1,071	-54%	Unplanned outage of unit 3	1,653	3,742	-56%	Unplanned outage of unit 3
Others	7	(161)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(178)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	3,118	2,658	17%		12,025	14,209	-15%	

B. Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached PhP21.86 billion 3% slightly lower than last year. After deducting working capital requirement, cash provided by operation netted to PhP9.50 billion. With the consolidated loan availments amounted of PHP7.86 billion, representing coal and SCPC's interim short-term loan to fund maintenance and additional CAPEX for the increase in capacity. Combined with beginning Cash of PHP8.47 billion, total consolidated Cash available during the period stood at PHP25.83 billion.

Of the available cash, PHP9.53 billion was used to fund major CAPEX. The Company also paid debts amounting to PHP5.53 billion. On the Company's continuing buyback program, it reacquired 7.8 million shares worth PhP251.61 million. The Company declared and paid cash dividends of PHP9.57 billion during the year. Ending cash closed at PHP1.90 billion, a 78% decrease from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP863.76 million, PHP304.14 million, and PH674.06 million, respectively. Other pre-operating business closed with a total cash balance of PHP60.97 million.

Consolidated Current ratio decline to 1.26x from 1.69x at the start of the year.

C. Financial Condition

ASSETS

Cash

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	864	5,796	-85%	Decreased due to payment of cash dividend and significant capital expenditures
SCPC	304	584	-48%	Slight decrease used for operating acitivites
SLPGC	674	2,032	-67%	Payment of amortization of mortgage payable with lower cash generation from operation
Others	61	59	4%	Increase pertains to interest income
Total	**1,903**	**8,471**	**-78%**	

Consolidated Receivables

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,445	2,204	11%	Mainly trade-related; due to timing of sales and collection
SCPC	3,913	3,164	24%	Timing of collection of November 2018 billing, collection due date falls on a holiday
SLPGC	940	1,106	-15%	Lower sales for the quarter
Others	3	-	100%	Cash balances of pre-operating subsidiary
Total	**7,301**	**6,475**	**13%**	

Consolidated Inventories

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	7,799	3,148	148%	Increase mainly due to higher cost of coal inventory of 3.0 million tons valued at PhP2.8 billion; higher cost of materials, spare parts, fuel supplies and major equipment components totalling to PhP5.0 billion
SCPC	3,349	1,957	71%	Mainly comprised of spare parts inventory for corrective, preventive and predictive maintenance program amounting to PhP3.2 billion; coal inventory costs PhP140.6 million
SLPGC	1,215	809	50%	Increase mainly due to the insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program , diesel and chemicals amounting to PhP 729.0 million; Coal inventory at PhP810.0 million
Total	**12,363**	**5,914**	**109%**	

Investment in JV

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	51	51	1%	Additional contribution to the Joint Venture
Total	**51**	**51**	**1%**	

Consolidated Other Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	1,443	1,264	14%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php424.56 million and Php1.38 billion, respectively
SCPC	1,405	750	87%	Mainly comprised of advances to suppliers for Equipment and materials requirement for the life extension of PhP1.33 billion and prepaid, rentals, insurance and other expense amounting to Php20.66 million
SLPGC	1,272	1,410	-10%	Mainly comprised of advances to suppliers for equipment, materialsand prepaid rent and insurance of PhP365.40 million and PhP824.7 million deferred input tax
Total	**4,121**	**3,423**	**20%**	

Consolidated Total Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	12,602	12,462	1%	Please refer to above explanation
SCPC	8,972	6,456	39%	
SLPGC	4,101	5,357	-23%	
Others	61	59	4%	
Total	**25,736**	**24,334**	**6%**	

Consolidated PPE

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	11,898	10,888	9%	Additional Capex for capacity expansion and maintenance capex of PhP5.8 billion, off-set by depreciation
SCPC	14,908	14,656	2%	Capex of PhP2.71 billion, offset by depreciation
SLPGC	16,699	17,470	-4%	Additional Capex offset by depreciation
Others	14	-	100%	PPE of pre-operating subsidiary
Total	**43,520**	**43,014**	**1%**	

Consolidated Other Non-Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	602	204	195%	Comprised of VAT receivable from BIR, Software cost and advance payment for importation of mining equipment costing PhP395.00 million
SCPC	568	278	105%	Mainly consists of prepaid leases and unrealized input tax
SLPGC	184	317	-42%	Reclassification to current asset - Financial asset at FVPL
Total	**1,355**	**798**	**70%**	

Consolidated Deferred Tax Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	67	85	-22%	Mainly related to remeasurement losses on Pension Plan
SCPC	368	365	1%	Mainly related to provision for doubtful account and deferred revenue
Total	**435**	**450**	**-3%**	

Consolidated Total Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	25,169	23,639	6%	Please refer to above explanation
SCPC	24,816	21,755	14%	
SLPGC	20,985	23,145	-9%	
Others	79	59	33%	
Total	**71,049**	**68,598**	**4%**	

Accounts and Other Payables

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	7,130	8,014	-11%	Payment of trade payables
SCPC	2,066	1,793	15%	Increase in trade payables due to higher volume of parts purchases
SLPGC	745	1,044	-29%	Payment of trade payables
Others	5	-	100%	Accounts Payables of pre-operating subsidiary
Total	**9,946**	**10,851**	**-8%**	

Short-term Loans

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,250	-	100%	Availment of bridge financing
SCPC	3,622	-	100%	Availment of bridge financing
Total	**5,872**	**-**	**100%**	

Current Portion of Long-term Debt

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,850	1,852	54%	Increase due to the maturing LTD within a year
SLPGC	1,704	1,704	0%	Comprised of maturing LTD within a year
Total	**4,554**	**3,556**	**28%**	

Total Current Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	12,230	9,866	24%	Please refer to above explanation
SCPC	5,688	1,793	217%	
SLPGC	2,449	2,748	-11%	
Others	5	-	100%	
Total	**20,372**	**14,407**	**41%**	

Long-Term Debt - Net of Current Portion

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,806	5,539	-49%	Decrease due to the maturing loan within a year
SCPC	2,988	2,985	0%	Availed of LTD in Q4 2017 (adjusted to net present value)
SLPGC	4,249	5,944	-29%	Payment of quarterly amortization
Total	**10,043**	**14,468**	**-31%**	Decrease due to debt repayments

Pension Liability

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	156	174	-11%	Accrual of pension obligation
SCPC	22	25	-13%	Accrual of pension obligation
SLPGC	39	35	11%	Accrual of pension obligation
Total	**216**	**234**	**-8%**	

Provision for Site Rehabilitation

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	402	1,687	-76%	Actual usage of mine rehab provision re: Panian mine accelerated rehabilitation
SCPC	16	15	10%	Additional provision for plant decommissioning
SLPGC	5	4	17%	Additional provision for plant decommissioning
Total	**423**	**1,705**	**-75%**	

Other Long-Term Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
SLPGC	-	46	-100%	Retention payable for 2x25 MW gas turbines
Total	**-**	**46**	**-100%**	

Deferred Tax Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
SLPGC	62	55	12%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**62**	**55**	**12%**	

Total Non-Current Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	3,364	7,400	-55%	Please refer to above explanation
SCPC	3,026	3,025	0%	
SLPGC	4,354	6,084	-28%	
Total	**10,744**	**16,509**	**-35%**	

Total Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	15,595	17,266	-10%	Please refer to above explanation
SCPC	8,713	4,818	81%	
SLPGC	6,803	8,832	-23%	
Others	5	-	100%	
Total	**31,116**	**30,916**	**1%**	

Capital Stock

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	740	488	52%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in H1 2018

Remeasurement Gain / (Losses) on Pension Plan

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	(38)	(81)	-53%	No Movement
SCPC	4	(1)	-479%	Some employees retired during the year
SLPGC	(2)	(4)	-61%	Due to increase in number of employees
Total	**(36)**	**(86)**	**-58%**	

Retained Earnings / (Losses)

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	13,936	15,623	-11%	Better profitability partially offset by the cash dividend paid
SCPC	10,091	6,583	53%	Income for the period offset by payment of cash dividend
SLPGC	5,938	5,286	12%	Income for the period offset by payment of cash dividend
Others	(197)	(179)	10%	Expenses of pre-operating subsidiaries
Total	**29,768**	**27,313**	**9%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – The Company weaken for the interim showing decline in operating and financial performance. Net income decrease by 15% YoY.
2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue pay special cash dividend of PhP1.0 per share on top of the regular cash dividend of PhP1.25 per share.
3. **Debt-to-Equity Ratio** –DE slightly improved to 0.64x from 0.78x at the start of the year due to increase in total debts and dividend payment.
4. **Net Profit Margin** – Net profit margin remains strong at 29%, driven by higher coal prices.

6. **Current Ratio** – Cash position remains healthy. The interim increase in current liabilities is due to the availment of bridge financing. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.26:1.

V. OTHER INFORMATION

Other disclosures:

a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
d. The Group has no contingent assets nor liabilities known as of financial position date. The case on the wholesale electricity supply market (WESM) prices for November and December 2013 is still pending before the Supreme Court (SC) and the Energy Regulatory Commission (ERC).

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Company and its Subsidiaries[7] is the accounting firm SyCip Gorres Velayo & Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company and its Subsidiaries has engaged the services of SGV as external auditor of the Company, and Dhonabee B. Señeres is the Partner-In-Charge starting 2018 or less than five years following the regulatory policy of audit partner rotation every five years.

On March 3, 2021, the Board of Directors of the Corporation, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as the Corporation's Independent External Auditor for the fiscal year 2021.

External Audit Fees and Services

Audit & Audit Related Fees

The Company and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

In Millions Pesos with VAT	
2020	7.07[8]
2019	7.06[9]
Total	**14.13**[10]

Tax Fees

There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.

All Other Fees

In 2020, non-audit fees paid to SGV amounted to Php168,000.00 for engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2020 for products and services provided by SGV other than services reported under item (a) above.

There have been no changes in or disagreement with the Company and its Subsidiaries' accountant on accounting and financial disclosures.

The Audit Committee's Approval Policies and Procedures

The Company's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of external auditor to the Board. It is charge with the evaluation of the audit work engagements, its scope, fees and terms for approval of

[7] SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.
[8] Includes Subsidiaries audit fee of P4.2 Million.
[9] Includes Subsidiaries audit fee of P4.2 Million.
[10] Audit and audit-related fees only; no fees for other assurance and related services were paid.

the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. Jose Antonio U. Periquet, Jr. is the Chairman of the Audit Committee while Rogelio M. Murga, Herbert M. Consunji, and Honorio O. Reyes-Lao are Members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the names, citizenship, educational attainment, positions, offices and business experiences of all incumbent Directors and Executive Officers of the Company:

Directors

1. **Isidro A. Consunji**
   72, Filipino, is a Director of SMPC since May 2001. He became Chairman of the Board in November 2014. He is the Chief Executive Officer of SMPC and Member of the Risk Committee.

   Education:
   B.S. Civil Engineering, University of the Philippines
   Master's Degree in Business Economics, Center for Research & Communication
   Master's Degree in Business Management, Asian Institute of Management
   Advanced Management, IESE School in Barcelona, Spain
   He is a Civil Engineer by profession.

   Directorship in Listed Companies:
   DMCI Holdings, Inc., *Director & President*
   Atlas Consolidated Mining and Development Corporation, *Director*

   Other Directorships/Positions:
   SEM-Calaca Power Corporation, *Chairman & CEO*
   Southwest Luzon Power Generation Corporation, *Chairman & CEO*
   Semirara Claystone Inc., *Chairman & CEO*
   Semirara Energy Utilities Inc., *Chairman & CEO*
   Southeast Luzon Power Generation Corporation, *Chairman & CEO*
   SEM-Cal Industrial Park Developers Inc., *Chairman & CEO*
   St. Raphael Power Generation Corporation, *Chairman & CEO*
   DMCI Mining Corporation, *Chairman & CEO*
   ENK Plc (U.K.), *Chairman*
   DMCI Masbate Power Corporation, *Vice-Chairman*
   Dacon Corporation, *Director*
   M&S Company Inc., *Director*
   DMCI Projects Developers, Inc., *Director*
   Toledo Mining Corporation Plc (U.K.), *Director*
   Semirara Cement Corporation, *Director & President*
   Maynilad Water Services, *Director*
   Private Infra Dev Corp., *Director*
   Asian Institute of Management, *Trustee*

   Former Affiliations:
   Philippine Constructors Association, *President*
   Philippine Chamber of Coal Mines, Inc., *President*

2. **Jorge A. Consunji**
   69, Filipino, is a Director of SMPC since May 2001.

   Education:
   B.S. Industrial Management Engineering, De La Salle University

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*

Other Directorships/Positions:
DMCI Masbate Power Corporation, *Chairman*
Dacon Corporation, *Director*
DMCI Project Developers, Inc., *Director*
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
Semirara Claystone Inc., *Director*
Semirara Energy Utilities Inc., *Director*
Southeast Luzon Power Generation Corporation, *Director*
SEM-Cal Industrial Park Developers Inc., *Director*
St. Raphael Power Generation Corporation, *Director*
Cotabato Timberland Co., Inc., *Director*
M&S Company, Inc., *Director*
Sodaco Agricultural Corporation, *Director*
DMCI Mining Corporation, *Director*
DMCI Power Corporation, *Director*
Eco-Process & Equipment Phils. Inc., *Director*
Maynilad Water Services, Inc., *Director*
D.M. Consunji, Inc., *President & COO*
Royal Star Aviation, Inc., *President & COO*

Former Affiliations:
Contech Panel Mfg., Inc., *Chairman*
Wire Rope Corp. of the Philippines, *Chairman*
ACEL, *President*
Phil. Constructors Association, *Vice-President*

3. **Cesar A. Buenaventura**
91, Filipino, is a Director of SMPC since May 2001.

Education:
Bachelor of Science in Civil Engineering, University of the Philippines
Master's Degree in Civil Engineering Major in Structures, Lehigh University, Bethlehem, Pennsylvania (Fulbright Scholar)

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*
iPeople, Inc., *Independent Director*
PetroEnergy Resources Corp., *Independent Director*
Concepcion Industrial Corporation, *Independent Director*
Pilipinas Shell Petroleum Corporation, *Independent Director*
International Container Terminal Services, Inc., *Independent Director*

Other Directorships/Positions:
D.M. Consunji, Inc., *Director*
The Country Club, *Director*
Mitsubishi Hitachi Power Systems Phils Inc., *Chairman*
Cavitex Holdings, Inc., *Director*
Via Technik Inc., *Director*
Pilipinas Shell Foundation, Inc., *Chairman*
Bloomberry Cultural Foundation, *Trustee*
ICTSI Foundation, *Trustee*

Former Affiliations:
Philippine American Life Insurance Company, *Director*
Atlantic Gulf & Pacific Company of Manila (AG&P), *Vice-Chairman*
Ayala Corporation, *Director*

First Philippine Holdings Corporation, *Director*
Philippine Airlines, *Director*
Philippine National Bank, *Director*
Benguet Corporation, *Director*
Asian Bank, *Director*
Ma. Cristina Chemical Industries, *Director*
Paysetter International Inc., *Director*
Maibarara Geothermal, Inc., *Chairman*
Manila International Airport Authority, *Director*
Shell Group of Companies, *Chairman & CEO*
Semirara Cement Corporation, *Vice-Chairman*
Central Bank of the Philippines, Member of the Monetary Board
Pilipinas Shell Foundation, Inc., *Founding Chairman*
University of the Philippines, *Member of the Board of Regents*
Asian Institute of Management, *Member of the Board of Trustees*
President of the Benigno S. Aquino Foundation, *President*

4. **Herbert M. Consunji**
68, Filipino, is a Director of SMPC since May 2001, and Member of Audit Committee.

Education:
Bachelor of Science in Commerce Major in Accounting, De La Salle University
Top Management Program, Asian Institute of Management
He is a Certified Public Accountant.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Executive Vice-President, CFO, Chief Compliance Officer & Chief Risk Officer*

Other Directorships/Positions:
DM Consunji, Inc., *Director*
DMCI Project Developers, Inc., *Director*
DMCI Power Corporation, *Director*
DMCI Mining Corporation, *Director*
DMCI-MPIC Water Company Inc., *Director*
SEM-Calaca Power Corporation, *Director*
Semirara Claystone Inc., *Director*
Southwest Luzon Power Generation Corporation, *Director*
Subic Water & Sewerage Corp., *Director*
SEM-Cal Industrial Park Developers Inc., *Director*

Other Affiliations:
Philippine Institute of Certified Public Accountants, *Member*
Financial Executives Institute of the Philippines, *Member*
Shareholder's Association of the Philippines, *Member*
Management Association of the Philippines, *Member*

5. **Maria Cristina C. Gotianun**
66, Filipino, is a Director of SMPC since May 2006 and currently serves as the President & Chief Operating Officer. She is a Member of Corporate Governance Committee.

Education:
Bachelor of Science in Business Economics, University of the Philippines

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & Asst. Treasurer*

Other Directorships/Positions:
Dacon Corporation, *Corporate Secretary*
SEM-Calaca Power Corporation, *Director & President*
Southwest Luzon Power Generation Corporation, *Director & President*

Semirara Claystone Inc., *Director & President*
Semirara Energy Utilities Inc., *Director & President*
Southeast Luzon Power Generation Corporation, *Director & President*
St. Raphael Power Generation Corporation, *Director & President*
DMCI Power Corporation, *Director & Treasurer*
DMCI Masbate Power Corporation, *Director & Treasurer*
SEM-Cal Industrial Park Developers Inc., *Director & President*
DMCI Holdings, Inc., *Asst. Treasurer (listed company)*
Divine Word School of Semirara Island, Inc., *Trustee & President*
Semirara Training Center, Inc., *Trustee & President*

Former Affiliations:
Semirara Mining and Power Corporation, *Executive Vice-President*
D.M. Consunji, Inc., *Vice-President for Finance & Administration & CFO*
DMC-Project Developers, Inc., *Finance Director*
DM Consunji, Inc., *Asst. Treasurer*
Divine Word School of Semirara Island, Inc., *Corporate Secretary*

6. **Ma. Edwina C. Laperal**
59, Filipino, is a Director of SMPC since May 2007.

Education:
B.S. Architecture, University of the Philippines
Master's Degree in Business Administration, University of the Philippines
Executive Certificate for Strategic Business Economics Program, University of Asia & The Pacific
She is a License Architect.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & Treasurer*

Other Directorships/Positions:
Dacon Corporation, *Director & Treasurer*
D.M. Consunji, Inc., *Director & Treasurer*
DFC Holdings, Inc., *Director & Treasurer*
DMCI Project Developers, Inc., *Director & SVP-Treasurer*
Artregard Holdings, Inc., *Director & Vice-President*
SEM-Calaca Power Corporation, *Director*
DMC Urban Property Developers, Inc., *Director & President*
Southwest Luzon Power Generation Corporation, *Director*

Former Affiliations:
Institute of Corporate Directors, *Fellow*
United Architects of the Philippines, Makati Chapter
Guild of Real Estate Entrepreneurs and Professionals
UP College of Architecture Alumni Foundation Inc.

7. **Josefa Consuelo C. Reyes**
73, Filipino, is a Director of SMPC since March 2015.

Education:
AB Economics, University of British Columbia, Vancouver, Canada
Strategic Business Economics Program, University of Asia and the Pacific (2007)

Directorship in Listed Companies:
None.

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
Manila Herbal & Essential Oils Co., Inc., *General Manager*
Philippine Coffee Board, *Corporate Secretary*

Ecology Village Association, *Director and Chairperson*

Former Affiliations:
Ecology Village Association, *Director & Vice-President*

8. **Rogelio M. Murga**
86, Filipino, is an Independent Director of SMPC since November 2014. He is the Chairman of the Risk Committee; Member of Audit Committee and Corporate Governance Committee, respectively. He is also the Lead Independent Director appointed by the Board in compliance with the Code of Corporate Governance for publicly-listed companies.

Education:
Bachelor of Science degree in Mechanical Engineering, University of the Philippines (1958)
Senior Management Program, Harvard Business School in Vevey, Switzerland (1980)
Honorary Degree of Doctor of Science – *Honoris Causa,* Feati University (2004).

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Private Infra Dev Corp., Currently, *Chairman & CEO*
SEM-Calaca Power Corporation, *Independent Director*
Meralco Industrial Engineering Services Corp., *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*

Former Affiliations:
National Power Corporation, *President & CEO*
EEI Corporation, *Vice-Chairman, Director, President & COO*
Philippine Constructors Association, *President*
International Federation of Asian and Western Pacific Contractors Association, *President*
Management Association of the Philippines, *Member*
Philippine Chamber of Commerce and Industry, *Chairman of the Committee on Engineering and Construction*
DCCD Engineering Corporation, *Consultant*
National University, *Engineering Professor*

9. **Honorio O. Reyes-Lao**
76, Filipino, is an Independent Director of SMPC since May 2017. He is the Chairman of Corporate Governance Committee; Member of Audit Committee and Risk Committee, respectively.

Education:
Bachelor of Arts Major in Economics, De La Salle University
Bachelor of Science in Commerce, Major in Accounting, De La Salle University
Master's Degree in Business Management, Asian Institute of Management
Banking Operation, Philippine Banking Institute

Directorship in Listed Companies:
DMCI Holdings, Inc., *Independent Director*
Philippine Business Bank, *Independent Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*
Space2place, Inc., *Independent Director*
DMCI-Property Developers, Inc., *Independent Director*

Former Affiliations:
Gold Venture Lease and Management Services Inc.
First Sovereign Asset Management Corporation
CBC Forex Corporation
CBC Insurance Brokers, Inc.

CBC Properties and Computers Center, Inc.
Institute of Corporate Directors, *Fellow*
Rotary Club of Makati West, *Member/Treasurer*
Makati Chamber of Commerce and Industries, *President*

10. **Antonio Jose U. Periquet, Jr.**
59, Filipino, is an Independent Director of SMPC since August 2019. He is the Chairman of Audit Committee.

Education:
MBA, Darden Graduate School of Business Administration, University of Virginia, USA
Master of Science (Econ), Oxford University, UK
Bachelor of Arts (Econ), Ateneo de Manila University

Directorship in Listed Companies:
ABS-CBN Corporation, *Independent Director*
Ayala Corporation, *Independent Director*
Bank of the Philippine Islands, *Independent Director*
Max's Group of Companies, *Independent Director*
Philippine Seven Corporation, *Independent Director*
DMCI Holdings, Inc., *Independent Director*

Other Directorships/Positions:
Albizia ASEAN Tenggara Fund, *Independent Director*
BPI Asset Management and Trust Corporation, *Chairman*
BPI Capital Corp., *Independent Director*
BPI Family Savings Bank, Inc., *Independent Director*
Campden Hill Advisors, Inc., *Chairman*
Campden Hill Group, Inc., *Chairman*
Pacific Main Properties and Holdings, *Chairman*
Lyceum of the Philippines University, *Trustee*
The Straits Wine Co. Inc., *Director*
Sem-Calaca Power Corporation, *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*

Former Affiliations:
ABS-CBN Holdings Corporation, *Independent Director*
Development Bank of the Philippines, *Director*
DBP Leasing Corporation, *Director*
DBP Insurance Brokerage, Inc., *Director*
MRT Corporation, *Director*
ABS-CBN Corporation, *Member, Board of Advisers*
Deutsche Regis Partners Inc., *Chairman*
Deutsche Morgan Grenfell Inc., *Managing Director*
Morgan Grenfell Securities (UK) Ltd., *Director*
Deutsche Morgan Grenfell Securities (HK), *Director*
Morgan Grenfell Securities Philippines, *Director*
Asia Equity (UK) Limited, *Director*
Peregrine Securities (UK & Hong Kong), *Investment Adviser*
San Miguel Corporation, *Economist*
Center for Research & Communication, *Economist*
Faculty of Economics, Assumption College, *Member*

11. **Luz Consuelo A. Consunji**
67, Filipino, is a Director of SMPC since May 2, 2017.

Education:
Bachelor's Degree in Commerce Major in Management, Assumption College
Master's Degree in Business Economics, University of Asia and the Pacific.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
South Davao Development Co., *Director*
Zanorte Palm-Rubber Corp., *Director*
Dacon Corporation, *Director*
Missionaries of Mary Mother of the Poor, *Treasurer*

Former Affiliations:
One Network Bank, *Director*
Mary Mother of the Poor Foundation, *Treasurer*

Executive Officers

Isidro A. Consunji*	-	Chief Executive Officer
Maria Cristina C. Gotianun*	-	President & COO
Junalina S. Tabor	-	VP, Chief Risk Officer & Chief Compliance Officer
Nena D. Arenas	-	VP, Chief Governance Officer & Compliance Officer
John R. Sadullo	-	VP-Legal & Corporate Secretary
Jose Anthony T. Villanueva	-	VP-Marketing for Coal
Andreo O. Estrellado	-	VP-Power Market & Commercial Operations
Ruben P. Lozada	-	VP-Mining Operations & Resident Manager
Carla Cristina T. Levina	-	VP & Chief Finance Officer
Jojo L. Tandoc	-	VP-Human Resources & Organizational Development
Karmine Andrea S.J. Ching	-	AVP-Corporate Planning of SMPC Group

**Member of the Board (please see above)*

1. **Junalina S. Tabor**, 57, Filipino, is the Chief Risk, Compliance & Performance Officer/SVP of SMPC Group since March 3, 2021. She graduated *Magna Cum Laude* with a degree of Bachelor of Science in Commerce, Major in Accounting in 1984 at Saint Joseph College and is a Certified Public Accountant. She obtained her Master's degree in Public Administration at the University of the Philippines in 1995 under the Local Scholarship Program (LSP) of the Civil Service Commission. She earned her Certificate in Business Economics from the School of Economics, University of Asia and the Pacific in June 2012 under its Strategic Business Economics Program (SBEP) and also completed the modular course in Computer Literacy Program at Systems Technology Institute as half scholar in 1988. She was the Corporation's Vice-President & Chief Finance Officer since May 2010 or 11 years. Prior to joining the Corporation in 1997, she held various positions with the Commission on Audit from State Auditor Examiner to State Auditor in 1984-1997. She was Team Leader in special audit engagements in certain government owned and controlled corporations from 1994-1996. She is also concurrently the Chief Finance Officer of SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation.

2. **John R. Sadullo**, 50, Filipino, is the Vice-President for Legal since November 2013, Corporate Secretary, and Corporate Information Officer since May 2005. He graduated with a degree of A.B. Major in Political Science at the University of Santo Tomas. He obtained his Bachelor of Laws degree at San Beda College of Law in 1996 and was admitted to the BAR in 1997. He currently holds the position of Vice-President for Legal and Corporate Secretary of SEM-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation; Corporate Secretary of Semirara Energy Utilities Inc., Southeast Luzon Power Generation Corporation, Semirara Claystone Inc., SEM-Cal Industrial Park Developers Inc., St. Raphael Power Generation Corporation, and Divine Word School of Semirara Island, Inc. He is also the Asst. Corporate Secretary of Semirara Training Center, Inc.; and previously the Corporate Secretary of DMCI Mining Corporation and DMCI Masbate Power Corporation; and Asst. Corporate Secretary of St. Raphael Power Generation Corporation.

3. **Nena D. Arenas**, 60, Filipino, is the Vice President, Chief Governance Officer and Compliance Officer since August 2013. Before her appointment, she was Good Governance Officer of SMPC since July 2005. Prior to joining SMPC, she was a Director, Chief Finance Officer and Vice-President of MCA Universal Inc.; Director of MCA Music Inc. and Reach Youth Ministries, a non-

stock, non-profit organization. She has more than 15 years extensive experience in finance, accounting, budget & forecasting, information technology, warehousing, legal & business affairs, human resources and administration management. She also has seven years of experience in external audit at SGV & Co. She is currently a Fellow of the Institute of Corporate Directors. She is a Certified Public Accountant and graduated *Cum Laude* with a degree in Bachelor of Science major in Accounting at the University of St. La Salle.

4. **Jose Anthony T. Villanueva**, 56, Filipino, is the Vice-President for Marketing since November 2013. He received his Bachelor of Science degree in Mechanical Engineering and obtained his Master's degree in Business Administration both at De La Salle University. He also earned his Master's degree in Public Management at the University of the Philippines. He has undergone intensive training in financial modeling in Singapore and completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate. Prior to his appointment, he was the Marketing Manager of SMPC since 2011. For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.

5. **Andreo O. Estrellado**, 59, is the Vice-President for Power Market & Commercial Operations since May 5, 2017. He graduated with a degree of Bachelor of Science in Chemical Engineering at the Mapua Institute of Technology and obtained his Master's degree in Business Administration from Ateneo de Manila University. Prior to his appointment, he served as the Assistant Vice President for Market and Commercial Operations of the company's affiliate, Sem-Calaca Power Corporation. He has been in the electric power industry business for more than 30 years performing different functions in the fields of marketing, business and project development, risk management, environmental impact assessment and nuclear physics for various government and private electric power companies. He was once affiliated with the National Power Corporation, National Transmission Corp, Manila Oslo Renewable Enterprises/SN Aboitiz Power, East Asia Power Corporation, Resource Management International (Navigant Consulting), and Magellan Utilities Development Corp. He also served as consultant of International Resources Group, Philippines; and Alternative Energy Development, Philippines for some of their World Bank and UNDP funded projects.

6. **Ruben P. Lozada**, 65, Filipino, is the Resident Manager since August 24, 2016, and a Member of the Compliance Committee. He graduated with a degree of Bachelor of Science in Civil Engineering at Mindanao State University in 1978. He was the Assistant Resident Manager of the Corporation for 14 years, more or less, prior to his promotion. He is a Civil Engineer by profession.

7. **Carla Cristina T. Levina**, 36, Filipino, is the Chief Finance Officer/VP of SMPC Group since March 3, 2021. She graduated *Cum Laude* with a degree of Bachelor of Science in Accountancy at the University of Sto. Tomas in 2005 and placed 17th at the CPA Board Exams in October 2005. She was with SMPC for more than 4 years as an Internal Audit Manager, and on August 9, 2017, she was appointed as Vice-President & Chief Audit Executive. Prior to joining SMPC, she was a Director at SyCip Gorres Velayo & Co. under the IT Risk and Assurance Services. She has more than 14 years of IT audit and internal audit experience specializing in the risk-based audit of business processes, evaluation of risks and internal controls, and in performing independent assessments and third-party reporting audit engagements. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA).

8. **Jojo L. Tandoc**, 44, Filipino, is the Vice-President for Human Resources & Organizational Development since November 7, 2018. Prior to his appointment, he was the AVP-Human Resources of SMPC. He is a Certified Human Capital Strategist issued by the Human Capital Institute (USA) last May 2018. He was awarded last June 8, 2018 as one of the Philippines Most Talented HR Leaders by the World HRD Congress during the 13th Employer Branding Awards in Dusit Thani, Manila and was also awarded as one of the 100 Most Influential Global HR Professionals during the World HRD Congress in Mumbai India on February 2017. He is also a Certified Life Coach by the New Skills Academy (USA) and recently granted the badge as Certified Management Consultant (CMC) by the Institute of Certified Management Consultants Philippines last January 24, 2020.

He graduated with a degree of Bachelor of Science in Psychology at the Lyceum Northwestern University, and pursued his Master's degree in Business Administration major in International Business Management at Metro-Dagupan Colleges, and Master of Arts major in Clinical Psychology at the Pamantasan ng Lungsod ng Maynila. He also had post graduate Diploma in Organization Development from Dela-Salle College of Saint Benilde SPaCe Program. At present, he is completing his degree of Doctor of Philosophy major in Organization Development at the Southeast Asia Inter-Disciplinary Development Institute (SAIDI) Graduate School of Organization Development. He is a Registered Psychologist (RPsy), a Registered Psychometrician (RPm) and a Certified Industrial/Organizational Psychologist (CIOP) of the Psychological Association of the Philippines. He is also a Certified Business Administrator (CBA) for his post-graduate study in Management issued by the Chartered Association of Business Administrator of Canada and received a Certificate in Talent Management and Succession Planning from the Pennyslvania State University. Prior to joining SMPC, he was the AVP-Human Resources & Administration of DMCI Power Corporation. His past affiliations include Meralco PowerGen Corporation, SN Aboitiz Power, Indra Sistemas (Soluziona) Philippines, and TEaM Sual Corporation in various capacities in human resource development & organization development practice. He was also an International HR Consultant in Vietnam as a Project Manager/Senior Consultant of Indra Sistemas where he worked with World Bank and the Government of Vietnam in setting up the Human Resources and Organizational Development systems of the Electricity of Vietnam.

9. **Karmine Andrea S.J. Ching**, 37, Filipino, is the Asst. Vice-President for Corporate Planning of SMPC Group since August 9, 2017. She graduated with a degree of Business Administration and Accountancy at the University of the Philippines, Diliman. She was SMPC Group's Internal Audit Manager before transferring to Corporate Planning. She also worked as an IT Audit Manager at SM Investments Corporation and was a Senior Associate at SGV & Co. under the IT Risk and Assurance practice. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and is Certified in Risk and Information Systems Control (CRISC).

Board and Annual Stockholders' Meeting Attendance

At the beginning of the year, the Board is advised of the schedule of meetings for the calendar year without prejudice to call a special board meeting when required by the Company's operation and other exigency. In the conduct of meeting, the quorum requirement under the law is simple majority of the members of the Board while approval of corporate acts and resolutions requires majority of the Board present. The record of attendance of Directors to board meetings for the year 2020 is as follows:

		2020 Board/Stockholder Meeting Attendance								
	Name	**28-Feb**	**24-Mar**	**8-May**	**3-Jul**	**3-Jul**	**7-Aug**	**27-Oct**	**Total**	**%**
1	Isidro A. Consunji	√	√	√	√	√	√	√	7/7	100%
2	Maria Cristina C. Gotianun	√	√	√	√	√	√	√	7/7	100%
3	Jorge A. Consunji	√	√	√	√	√	√	√	7/7	100%
4	Herbert M. Consunji	√	√	√	√	√	0	√	6/7	86%
5	Cesar A. Buenaventura	√	√	√	√	√	√	√	7/7	100%
6	Ma. Edwina C. Laperal	0	√	√	√	√	√	√	6/7	86%
7	Josefa Consuelo C. Reyes	√	√	√	√	√	√	√	7/7	100%
8	Luz Consuelo A. Consunji	√	√	√	√	√	√	√	7/7	100%
9	Rogelio M. Murga*	0	√	√	√	√	√	√	6/7	86%
10	Honorio O. Reyes-Lao*	√	√	√	√	√	√	√	7/7	100%
11	Antonio Jose U. Periquet, Jr.*	√	√	√	√	√	√	√	7/7	100%
	Special/**R**egular/**O**rganizational/**ASM**	**R**	**S**	**R**	**ASM**	**O**	**R**	**R**		

**Independent Director*

None of the directors has absented himself for more than 50% from all meetings of the Board during the 12-month period of his incumbency.

Board Committee Meeting Attendance

The record of attendance of board committees for year 2020 are as follows:

Name	**Audit Committee (AC)**	**Risk Committee (RC)**	**Corporate Governance Committee (CGC)**
Isidro A. Consunji	n.a.	1/2	n.a.

RC, Member			
Maria Cristina C. Gotianun *GCG, Member*	n.a.	n.a.	3/3
Herbert M. Consunji *AC, Member*	5/5	n.a.	n.a.
Rogelio M. Murga *RC, Chairman* *AC, Member* *CGC, Member*	5/5	2/2	3/3
Honorio O. Reyes-Lao *CGC, Chairman* *AC, Member* *RC, Member*	5/5	2/2	3/3
Antonio Jose U. Periquet, Jr. *AC, Chairman*	5/5	n.a.	n.a.

Trainings and Continuing Education Attended by Directors and Key Officers

The Company recognizes the value of providing relevant trainings to its directors and key officers and has set aside an annual budget to allow them to attending continuing professional development programs, applicable courses, conferences, seminars. In 2020, the directors and key officers of SMPC joined online seminars on corporate governance for at least four (4) hours, as follows:

Date	Topic	Name
February 13, 2019	GRI and Sustainability: Strategies for Future-Proofing Sustainable Business & Investments, conducted by University of Asia and the Pacific	Isidro A. Consunji Cesar A. Buenaventura Jorge A. Consunji Hebert M. Consunji Luz Consuelo A. Consuji Honorio O. Reyes-Lao Nena D. Arenas
February 21, 2019	Distinguished Corporate Governance Speaker Series, conducted by Institute of Corporate Directors	Josefa Consuelo C. Reyes Nena D. Arenas
April 11, 2019	2019 Revised Corporation Code of the Philippines, conducted by Center for Global Best Practices	John R. Sadullo
June 28, 2019	Distinguished Corporate Governance Speaker Series, conducted by Institute of Corporate Directors	Maria Cristina C. Gotianun Honorio O. Reyes-Lao
July 25, 2019	Corporate Governance Updates and Economic Briefing, conducted by Center for Global Best Practices	Honorio O. Reyes-Lao
August 8, 2019	Distinguished Corporate Governance Speaker Series, conducted by Institute of Corporate Directors	Ma. Edwina C. Laperal Nena D. Arenas
November 19, 2019	Distinguished Corporate Governance Speaker Series, conducted by Institute of Corporate Directors	Rogelio M. Murga Carla Cristina T. Levina Jojo L. Tandoc Karmine Andrea S.J. Ching
December 17, 2019	Advanced Corporate Governance Training, conducted by Institute of Corporate Directors	Jorge A. Consunji Hebert M. Consunji Honorio O. Reyes-Lao Josefa Consuelo C. Reyes Nena D. Arenas Andreo O. Estrellado Carla Cristina T. Levina John R. Sadullo Karmine Andrea S.J. Ching Junalina S. Tabor Jojo L. Tandoc Jose Anthony T. Villanueva
October 21, 2020	Pilipinas: Aspire, Rise, Sustain Series 1: The Nexus of Climate Change and Sustainable Development, conducted by Institute of Corporate Directors	Rogelio M. Murga Junalina S. Tabor Karmine Andrea S.J. Ching
October 22, 2020 October 23, 2020	Family Business Governance, conducted by Institute of Corporate Directors	Nena D. Arenas
October 29, 2020	Pilipinas: Aspire, Rise, Sustain Series 2: Integrating Climate Risks in Corporate Strategy, conducted by Institute of Corporate Directors	Rogelio M. Murga Junalina S. Tabor Karmine Andrea S.J. Ching
November 5, 2020	Pilipinas: Aspire, Rise, Sustain Series 2: Cultivating Business Impact through Sustainability Reporting, conducted by Institute of Corporate Directors	Junalina S. Tabor Karmine Andrea S.J. Ching
November 10, 2020	The Board Agenda 2020: The Business of Building Back Better, conducted by Institute of Corporate Directors	Antonio Jose U. Periquet, Jr.

Board Annual Performance and Evaluation Process

The Board's annual performance evaluation process covers the full Board, Board Committee and individual director self-assessments. The full Board evaluation includes the Board and Board Committees' responsibilities, structure, meetings, processes, and management support, while individual director performance criteria take into account the leadership, interpersonal skills, strategic thinking, and participation in Board meetings and committee assignments. Assessment results are provided to the Corporate Governance Committee and reported to the Board for disposition and continual improvement of Board performance effectiveness. Feedback, if any, to enhance management support to the Board are likewise communicated to senior management for appropriate action.

In 2020, the SMPC engaged an external professional facilitator, Castillo Laman Tan Pantaleon & San Jose Law Firm, to administer our full Board, Committee and individual director performance assessments in compliance with the SEC's Corporate Governance Guidelines for PLCs.

Term of Office

The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by July 3, 2021.

Independent Directors

The Company's Manual on Corporate Governance submitted to SEC on May 30, 2017 requires at least two (2) independent directors or such number of independent directors as shall constitute at least twenty percent (20%) of the members of the board of directors, whichever is lesser. The nominees for independent directors will be selected by the Corporate Governance Committee in accordance with the guidelines in the Code of Corporate Governance for Publicly-Listed Companies (SEC Memorandum Circular No. 19, Series of 2016) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Company's By-Laws to include Art. III on the adoption of SRC Rule 38. The Company abides with SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of certificate of qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Company and Honorio O. Reyes-Lao and Antonio Jose U. Periquet, Jr., elected independent directors of the Company, are stockholders and/or independent directors of DHI.

Rogelio M. Murga, Honorio O. Reyes-Lao, and Antonio Jose U. Periquet, Jr. were first elected to the Board on November 11, 2014, May 2, 2017, and August 9, 2019, respectively. They were nominated by a non-controlling stockholder of the Company. At the annual stockholders' meeting on May 3, 2021, these nominees for independent directors have served the Company for at least six (6) years and six (6) months; four (4) years; one (1) and nine (9) months, more or less, respectively.

The Company has not encountered any restraint from the stockholders in retaining its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 4, Series of 2017, the independent directors herein are compliant with the term limit requirement, which requires that independent directors shall serve for a maximum cumulative term of nine (9) years reckoning from 2012.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ Independent Director, PetroEnergy Resources Corporation ▪ Independent Director, iPeople, Inc. ▪ Independent Director, Concepcion Industrial Corporation ▪ Independent Director, Pilipinas Shell Petroleum Corporation ▪ Independent Director, International Container Terminal Services, Inc.
Isidro A. Consunji	▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Maria Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Honorio O. Reyes-Lao	▪ Independent Director, DMCI Holdings, Inc. ▪ Director, Philippine Business Bank

Luz Consuelo A. Consunji	▪ Director, DMCI Holdings, Inc.
Antonio Jose U. Periquet, Jr.	▪ Independent Director, ABS-CBN Corporation ▪ Independent Director, Ayala Corporation ▪ Independent Director, Bank of the Philippine Islands ▪ Independent Director, Max's Group of Companies ▪ Independent Director, Philippine Seven Corporation ▪ Independent Director, DMCI Holdings, Inc.

Significant Employees/Executive Officers of the Issuer

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	CEO	72
Maria Cristina C. Gotianun	Filipino	President & COO	66
Junalina S. Tabor	Filipino	Chief Risk, Compliance & Performance Officer/SVP of SMPC Group	57
Nena D. Arenas	Filipino	VP, Chief Governance Officer & Compliance Officer	60
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	50
Jose Anthony T. Villanueva	Filipino	VP-Marketing for Coal	56
Andreo O. Estrellado	Filipino	VP-Power Market and Commercial Operations	59
Ruben P. Lozada	Filipino	VP-Mining Operations & Resident Manager	65
Carla Cristina T. Levina	Filipino	Chief Finance Officer/VP of SMPC Group	36
Jojo L. Tandoc	Filipino	VP-Human Resources & Organizational Development	44
Karmine Andrea S.J. Ching	Filipino	AVP-Corporate Planning of SMPC Group	37

Family Relationship

The family relationship up to the fourth civil degree either by consanguinity or affinity among directors or executive officers is as stated below.

Messrs. Isidro A. Consunji, Jorge A. Consunji, Maria Cristina C. Gotianun, Josefa Consuelo C. Reyes, Luz Consuelo A. Consunji, and Ma. Edwina C. Laperal are siblings; and Mr. Herbert M. Consunji is their cousin.

Involvement in Certain Legal Proceedings

None of the directors, executive officers, and nominee for regular or independent director was involved in the past five (5) years in any bankruptcy proceeding. Except for the criminal cases below, neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Below are the pending criminal cases filed against the directors of SMPC, Messrs. Isidro A. Consunji, Cesar A. Buenaventura and Ma. Edwina C. Laperal:

1. **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78. -** A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent Company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as "a network of 5 world clubs."

   The case was re-raffled to RTC-QC Branch 85 (the "Court"). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants' sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants' filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out of records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

2. **Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice, National Prosecution Service. -** These consolidated cases arose out of the same events in the above-mentioned case, which is likewise pending before the DOJ.

   In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants' counsel. The case remains pending to date.

Disclosure Requirements Pursuant to Section 49, Revised Corporation Code

At the annual stockholders' meeting held last July 3, 2020, SMPC adopted the electronic voting *in absentia*, which allows stockholders, after successful registration, to cast their votes electronically using the voting platform. The votes were then validated by a committee appointed by the Corporate Governance Committee of SMPC, which is composed of SGV & Co. and the Corporate Secretary, as head. After the validation, SGV & Co. certified and issued the final votes cast, which results was then reported by the Corporate Secretary during the meeting and reflected in the minutes of meeting.

The stockholders were given the opportunity to ask questions or clarifications by sending the same through email at corporatesecretary@semirarampc.com. The instruction was incorporated in Schedule 4 of last year's definitive information statement, and on the notice to stockholders published in the newspaper of general circulation, in print on online, for two consecutive days. The record of such questions and answers were reflected in the minutes of meeting posted at SMPC's website, which can be accessed through here are reproduced below:

Thereafter, the Chairman asked the Corporate Secretary if there were questions or clarifications from the stockholders. The Corporate Secretary responded that questions were raised by Marvin B. Obordo, an Investment Analyst of F. Yap Securities, which were received through electronic mail, as follows, and which were answered by the Chairman during the livestreaming:

Question No. 1:	***What is now the status of SCPC unit 2 rehab? If rehab still ongoing, when is the estimated date of completion?***
Answer:	*The commissioning of Unit 2 was completed during the 1st week of May 2020 and is now running at 300MW.*
Question No. 2:	***What is your outlook on coal price this year and how will this affect bottom line?***
Answer:	*We don't see significant movement in coal prices until the end of the year. Market is highly dependent on economic recovery after the COVID-19 pandemic. The Philippine GDP target is negative for 2020. There is expectation that recovery next year is forthcoming given the economic recovery plan, but this remains to be seen. Given the market situation today and in the immediate future, which is highly unpredictable, we don't see the company performing better in financial terms.*

Question No. 3:	***How would covid-19 impact both your operations and bottom line for this year?***
Answer:	*Our operations have been largely unaffected by the lockdown because of the essential nature of our business. However, like most companies, we are susceptible to weak demand and lower market prices.* *Since SMPC is fortunate that it is engaged in an essential industry (energy related), we are managing our operations to keep us going and strategize our operations to hit positive contribution margins to be able to meet cash fixed cost, obligation to creditors, and dues to the government. We believe that with our cash position at the start of the year, and despite the cash dividend paid last March 2020, the Company can keep afloat in this challenging times. Though cashflows are tight, we believe we can manage. In case extremely needed, we have more than enough credit lines which we can tap.*
Question No. 4:	***Will there be a special dividend to be declared later this year?***
Answer:	*It is prudent for the company under this challenging situation to conserve cash. With the current cashflow position, we believe that the Company will be able to meet the minimum cash dividend obligation to shareholders.*

Stockholders representing 3,374,824,955 or 79.04% of SMPC's issued and outstanding capital stock have registered and participated remotely or by proxies, as follows:

	Stockholder	Shares Held
1.	San Juan, Romulo	620,000
2.	Olizon, Antonio C.	9,360
3.	Aninon, Antonio V.	432
4.	Naranjo, Lorna J.	57,500
5.	Consunji, Isidro Almeda (for himself and 37 proxies)	3,367,282,698
6.	Periquet, Jr., Antonio Jose Uy	100
7.	Abeleda, Geremy Tafalla	6,000
8.	Laperal, Ma. Edwina Consunji	6,362,156
9.	Buenaventura, Cesar Augusto	72,120
10.	Gotianun, Maria Cristina Consunji	1,428
11.	Reyes, Josefa Consuelo Consunji	120,000
12.	Reyes-Lao, Honorio Ong	4,000
13.	Murga, Rogelio Marmolejo	1
14.	Consunji, Luz Consuelo Almeda	45,040
15.	Consunji, Jorge Almeda	120
16.	Consunji, Herbert Mercado	134,000
17.	Delos Santos, Antonio Roxas	110,000
	Total	**3,374,824,955**

The Agenda items discussed and approved during the last annual stockholders' meeting including the voting results are stated below:

Agenda	For		Against		Abstain	
Agenda 4 – Approval of Minutes of Previous Stockholders' Meeting held on May 6, 2019	3,374,517,355	99.99%	0	0.00%	0	0.00%
Agenda 5 – Approval of Management Report	3,373,988,155	99.98%	0	0.00%	529,200	0.02%
Agenda 6 – Approval of the Audited Financial Statements for 2019	3,373,988,155	99.98%	0	0.00%	29,200	0.00%
Agenda 7 – Ratification of the Acts of the Board of Directors and Management from the Date of the Last Annual Stockholders' Meeting up to the Date of this Meeting	3,373,601,555	99.96%	0	0.00%	915,800	0.03%
Agenda 8 – Election of Directors for 2020-2021:						
Isidro A. Consunji	3,337,085,420	98.88%	35,897,895	1.06%	1,534,040	0.05%
Jorge A. Consunji	3,234,975,248	95.86%	2,753,590	0.08%	136,788,517	4.06%
Cesar A. Buenaventura	3,171,093,658	93.96%	35,897,895	1.06%	167,525,802	4.96%
Herbert M. Consunji	3,234,471,748	95.84%	3,257,090	0.10%	136,788,517	4.05%

Maria Cristina C. Gotianun	3,228,405,712	95.66%	10,229,466	0.30%	135,882,177	4.03%
Ma. Edwina C. Laperal	3,234,975,248	95.86%	2,753,590	0.08%	136,788,517	4.06%
Josefa Consuelo C. Reyes	3,234,975,248	95.86%	2,753,590	0.08%	136,788,517	4.06%
Luz Consuelo A. Consunji	3,234,975,248	95.86%	2,753,590	0.08%	136,788,517	4.06%
Rogelio M. Murga (Independent)	3,368,971,179	99.83%	5,546,176	0.16%	0	0.00%
Honorio O. Reyes-Lao (Independent)	3,373,120,055	99.95%	0	0.00%	1,397,300	0.04%
Antonio Jose U. Periquet, Jr. (Independent)	3,281,327,733	97.23%	35,897,895	1.06%	57,291,727	1.70%
Agenda 9 – Approval of Appointment of Independent External Auditor	3,374,517,355	99.99%	0	0.00%	0	0.00%

The following directors, officers and stockholders of the Company attended the annual stockholders' meeting in 2020:

Directors:
1. Isidro A. Consunji, *Chairman of the Board, Chief Executive Officer*
2. Rogelio M. Murga (Independent)
3. Honorio O. Reyes-Lao (Independent)
4. Antonio Jose U. Periquet, Jr. (Independent)
5. Jorge A. Consunji
6. Hebert M. Consunji
7. Cesar A. Buenaventura
8. Maria Cristina C. Gotianun, *President & COO*
9. Ma. Edwina C. Laperal
10. Josefa Consuelo C. Reyes
11. Luz Consuelo A. Consunji

Key Officers:
1. John R. Sadullo, *VP-Legal & Corporate Secretary*
2. Junalina S. Tabor, *VP & CFO*
3. Nena D. Arenas, *VP, Chief Governance Officer & Compliance Officer*
4. Antonio R. Delos Santos, *VP-Treasury*
5. Jose Anthony T. Villanueva, *VP-Marketing for Coal*
6. Andreo O. Estrellado, *VP-Power Market & Commercial Operations*
7. Carla Cristina T. Levina, *VP-Chief Audit Executive*
8. Jojo L. Tandoc, *VP-Human Resources & Organizational Development*

Others:
1. Leandro D. Costales, *Comptroller*
2. Dhonabee B. Seneres, *Assurance Partner, SGV & Co.*

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

All executive officers of the Company are elected or appointed by the Board of Directors and serve for one year and until their successors are duly elected and qualified. Set forth below are the names of the CEO and four (4) most highly compensated officers of the Company:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji CEO				
Maria Cristina C. Gotianun President & COO				
Junalina S. Tabor Chief Risk, Compliance & Performance Officer/SVP of SMPC Group				
Jaime B. Garcia VP Procurement & Logistics				
Ruben P. Lozada VP Mining Operations & Resident Manager				
	2019	21,742,015	45,151,386	5,053,447
	2020	21,778,789	4,183,334	5,078,557
	2021*	20,381,571	3,922,237	4,770,216
	Total	**P63,902,375**	**P53,256,957**	**P14,902,220**

All other Officers as a group	2019	21,189,954	12,881,006	5,104,534
	2020	20,147,046	2,674,253	5,336,383
	2021*	14,982,426	2,133,993	3,721,520
	Total	**P56,265,426**	**P17,689,252**	**P14,162,437**

**Approximate amounts*

The amount reflected as compensation of the named executive officers represents salary approved by the Company's Board of Directors. The amounts indicated in relation thereto are restated to conform to the new accounting standards.

Executive directors of the Corporation receive an annual retainer fee of ₱240,000.00 as approved in the May 2009 Annual Stockholders' Meeting. In May 2015 however, the stockholders approved the increase in retainer fees of non-executive and independent directors to ₱150,000.00 or ₱1,800,000.00 per annum effective June 1, 2015. Fixed per diem of ₱20,000.00 for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees. Aside from executive Directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

In accordance with the preceding paragraph, below is the amount received by executive, non-executive and independent directors of the Board as fixed annual retainer fee and per diem remuneration for the Board and Board Committee meetings in 2019 and 2020. In the same calendar years, executive directors received bonuses in accordance with the by-laws:

Directors	**Total Gross Remuneration (in Php)**	
	CY 2019	CY 2020
Isidro A. Consunji Executive Director	3,356,923	3,336,923
Maria Cristina C. Gotianun Executive Director	3,356,923	3,356,923
Cesar A. Buenaventura *Non-executive Director*	1,800,000	1,800,000
Herbert M. Consunji *Non-executive Director*	1,940,000	1,900,000
Jorge A. Consunji *Non-executive Director*	1,800,000	1,800,000
Luz A. Consunji *Non-executive Director*	1,800,000	1,800,000
Ma. Edwina C. Laperal *Non-executive Director*	1,800,000	1,800,000
Honorio Reyes-Lao *Independent Director*	2,040,000	1,980,000
Rogelio M. Murga *Independent Director*	2,040,000	1,980,000
Antonio Jose U. Periquet Jr. *Independent Director*	810,000	1,900,000
Josefa C. Reyes *Non-executive Director*	1,800,000	1,800,000
Total	**P22,543,846**	**P23,453,846**

Employment Contracts, Compensatory Plan or Arrangement

There is no contract covering their employment with the Company and they hold office by virtue of their election and/or appointment to office. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under the Corporation's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with the Corporation's By-laws which prescribe a limit on the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Company's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2020, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive directors, including independent directors and the CEO, did not exceed above-mentioned limits set by the Company's Amended By-laws.

Stock Warrants or Options
There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Corporation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of More Than 5%

The following table sets forth as of March 18, 2021, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Pasong Tamo Ext., Makati City, Stockholder of record	1.Dacon Corporation, stockholder of 6,621,561,069 shares or 49.87% 2.PCD Nominee Corporation (Filipino), stockholder of 3,219,088,238 shares or 24.24% 3.DFC Holdings, Inc., stockholder of 2,379,799,910 or 17.92% 4.PCD Nominee Corp. (Foreign), stockholder of 657,007,554 shares or 4.95%	Filipino	2,407,770,396 (R)	56.63
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	815,946,326*	19.19
Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino Roces, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 4,088,195 shares or 12.46%[11]	Filipino	542,067,778	12.75

**Inclusive of 1,090,080 treasury shares*

Security Ownership Management

The table sets forth as of March 18, 2021 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[12]	Total		
Common	Isidro A. Consunji	24,144	24,436,270	24,460,414	Filipino	0.58
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	120	-	120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,328,040	562,480	1,890,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00
Common	Antonio Jose U. Periquet, Jr.	4,333,000	-	4,333,000	Filipino	0.10
Common	Maria Cristina C. Gotianun	1,428	20,496,937	20,498,365	Filipino	0.48

[11] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation only holds 114,429 shares or .32% of Dacon's issued and outstanding shares.
[12] Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

Common	Ma. Edwina C. Laperal	4,188	12,572,083	12,576,271	Filipino	0.30
Common	Josefa Consuelo C. Reyes	412,400	5,674,598	6,086,998	Filipino	0.14
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea S.J. Ching	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**7,255,384**	**68,973,632**	**76,229,016**		**1.79**

The percentages of ownership of the above officers and directors are very minimal. There are no arrangements, which may result in a change in control of the registrant.

CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly-owned subsidiaries.

Note 19 of the attached Audited Consolidated Financial Statements for the period ended December 31, 2020 indicate the Company's significant transactions with related parties.

Pursuant to the Company's Related Party Transaction Policy, material transactions are reviewed by the Independent Directors through the Board's Audit Committee to ensure arms-length and fair terms. However, if the same is not identifiable beforehand, it must be subsequently reviewed and ratified by the Board. Director, officer or key management personnel shall promptly notify the Audit Committee or Company's Corporate Counsel of any interest he or his immediate family member had, has or may have in a related-party transaction. He shall disclose all material information concerning the related-party transaction.

None of the Company's directors or key officers have entered into self-dealing and related party transactions with or involving the Company in 2020. Actual related party transactions during the year were conducted in arms-length terms.

In addition, our Insider Trading Policy requires all Directors and Key Officers to report their trades within three (3) business days for eventual reporting to the PSE and SEC. Our disclosures include purchase of shares from market, changes in beneficial ownership of securities among others. In 2020, trades by Directors of the Company's shares are disclosed promptly.

PART V – DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

SMPC's corporate governance framework aims to provide a culture of ethical conduct, higher standards of performance, transparency and accountability throughout the organization. It discloses its overall compliance and level of adoption of leading practices as provided in the SEC's Code of Corporate Governance for Publicly-Listed Companies (PLCs). SMPC seeks to continually improve its compliance with SEC's recommended provisions.

Directors, Officers and employees are advised of their respective duties and internal mechanisms are in place to support the governance framework. It fully complies with the disclosure and reportorial requirements of the SEC and PSE, such as certifications on compliances on Board performance, structured reports, as well as timely disclosures of significant and material information, events or developments and reporting of transactions involving trading of the Company's shares by Directors and Key Officers. The Company's governance structure, policies and systems are further described in the relevant governance section of its Integrated Annual and Sustainability Report.

Sustainable Governance
SMPC scored 100.12 points in the 2020 ASEAN Corporate Governance Scorecard (ACGS) assessment run. The Company was also honored with the ASEAN Asset Class award as among the top-scoring PLCs in the ASEAN region based on the 2019 ACGS assessment.

SMPC's Manual on Corporate Governance expresses clearly the roles and responsibilities of the Board and Management to the stockholders and other stakeholders which include customers, employees, suppliers, business partners, government and community in which it operates.

In 2020, the Company fully complied with the provisions of its Manual on Corporate Governance.

Rights of Shareholders
SMPC protects and facilitates the exercise of basic shareholder rights. It maintains a share structure that gives all shares equal voting rights. It allows all shareholders the right to nominate candidates for board of directors. It is committed to providing reasonable economic returns to the investors through the right to participate in its profits. It respects the right of a shareholder to participate, be informed and vote in key decisions regarding fundamental corporate changes in its Annual Shareholders' Meeting (ASM). Shareholders are furnished with sufficient and timely information concerning the ASM date, location, agenda including the rules and voting procedures that govern such meetings in the Notice of ASM and accompanying SEC Form 20-IS Information Statement. It respects other shareholder rights, specifically, to inspect corporate books and records, to information, to dividends and appraisal right.

Equitable Treatment of Shareholders
It ensures equitable treatment of all shareholders and provides them the opportunity to obtain redress for violation of their rights. It has a share structure of one class of common shares with one vote for each share. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers and employees. Related good governance policies include:

- Insider Trading Policy - explicitly prohibits insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public. It prescribes trading block off periods and requires Directors and officers to inform or report to SMPC their trading transactions of SMPC shares within three (3) business days.
- Related Party Transaction (RPT) Policy – provides that RPTs be arms-length and at terms available to an unaffiliated third party under the same or similar business circumstances. It also sets threshold levels requiring approval of the Board or shareholders, and that RPTs be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances, among others. All Independent Directors through SMPC's Audit Committee regularly review material significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs and materiality guidelines per RPT Policy.
- Material Related Party Transaction (RPT) Policy - requires at least two-thirds (2/3) approval vote of the Board of Directors, with at least a majority of the Independent Directors, of all transactions of SMPC and subsidiaries meeting the materiality threshold of RPTs amounting to ten percent (10%) or higher of SMPC's Total Consolidated Assets based on its latest audited consolidated financial statements. The policy provisions are compliant with SEC's Rules on Material RPTs for PLCs. These include guidelines in ensuring arm's length terms, maintaining a Related Party Registry and audit, risk and compliance system, among others.

  The principal risks to minority shareholders associated with the identity of our company's controlling shareholders include transactions with and/or dependence on related parties, are mitigated by a corporate governance framework that protects and ensures the rights and equitable treatment of all shareholders, including minority and foreign shareholders. Basic shareholder rights, such as the right to information and shareholder participation in key company decisions and fundamental issues, disclosures of control structures and voting rights and threshold approvals of related party transactions, among others are upheld by our governance policies.

Role of Stakeholders
It protects the rights and interests of its employees, customers, suppliers, business partners, creditors, government, environment, communities and other stakeholders as established by law or through mutual agreements. Its active engagement and partnership with key stakeholders encourage open communication and early resolution of issues or concerns, if any, during quarterly monitoring meetings with the Multi-Monitoring Team wherein various sectoral stakeholder groups are represented and heard. Related policies include:

- Alternative Dispute Resolution Policy - promotes the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders.
- Anti-corruption and Ethics Program - consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization.
- Whistleblowing/Hotline reporting mechanism - provides a secure reporting venue for employees, customers, suppliers and other stakeholders to raise and communicate in good faith valid complaints and confidential concerns on fraud, questionable and unethical transactions.

Disclosure and Transparency
It commits to a regime of open disclosure and transparency of material information and events regarding its financial performance, ownership and business updates. Its Information Policy ensures information is communicated to shareholders and key stakeholders by timely and adequate disclosures through announcements, quarterly or annual reporting, SMPC website and investor relations activities such as analyst briefings and media/press engagement.

We engage with institutional and prospective investors, investment analysts, fund managers and the financial community through various platforms, such as analyst-media briefings, local investor conference, person-to-person meetings, and conference calls, among others.

Our Investor Relations (IR) unit was centralized under our Parent, DMCI Holdings, Inc.'s (DMCI) group-wide IR function to enhance alignment of the group's investor relations strategy and engagement. Our IR team attended the Annual Shareholders' Meeting on July 3, 2020 to address possible shareholder queries.

Our IR Contact Information:
E-mail: Investor_Relations@semirarampc.com
Telephone: +638888-3000

Responsibilities of the Board
SMPC's Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. It aims to protect non-controlling shareholders from inequitable conduct of its Directors, officers and employees. Its Code of Conduct and Business Ethics (Code) embodies the Board's commitment to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. The Code, which is aligned with SMPC's Manual on Corporate Governance, includes provisions on conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets~~,~~ among others. Annually, SMPC requires all Directors and Officers to certify their compliance with the Code.

Enterprise Risk Management
Our ERM framework is based on the leading frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO 31000: 2009, integrating a system that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. It supports a systematic and disciplined approach to provide clear responsibility and accountability structures of risk management.

Risk Governance
Our President and COO is our Chief Risk Officer (CRO) who leads the overall implementation and enhancement of our ERM framework and practices. Our Risk Advisory (RA) Department provides full support to the CRO and Risk Committee in ensuring effective and integrated risk management system in place.

Our Risk Appetite
Our Board sets the tone and establishes the risk appetite level for our ERM. Risks are identified, assessed, managed, monitored and communicated per the Company's strategic and business objectives and then subsequently applied across the organization.
Our Risk Committee assists the Board to ensure that an adequate and effective risk management system is in place. Risk management of significant risks, including emerging risks are regularly reported to the Board.

Business Continuity Management
Our Business Continuity Management efforts are designed to ensure that critical business processes are restored to minimize business disruption without compromising safety in the event of a major internal or external incident.

Risks
We implement a proactive hazard identification, risk mitigation, monitoring and risk reporting of our business and associated risks. These are safety, compliance & reputation, people & talent, power regulations, competition & commodity trading, asset performance & production efficiency, and, natural hazard & physical security.

PART VI – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits
See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Company's Independent Public Accountant, SGV& Co.

Reports on SEC Form 17-C
There are SEC Forms 17-C filed during the last six-month period covered by this report, to wit:

Date Reported	Subject
July 3, 2020	Results of annual stockholders' meeting and organizational meeting held on July 3, 2020, respectively.
July 13, 2020	Submission of certification of independent directors, Rogelio M. Murga, Honorio O. Reyes-Lao and Antonio Jose U. Periquet, Jr.
August 3, 2020	Holding of analysts briefing for Q2-2020 financial and operating results.
August 7, 2020	Board approval of the consolidated financial statements for the period ended June 30, 2020; and the appointment of Antonio Jose U. Periquet, Jr. as Independent Director of Sem-Calaca Power Corporation and Southwest Luzon Power Generation Corporation.
August 12, 2020	Submission of results of audit committee self-assessment for year 2020.
August 12, 2020	Submission of certification of independent director, Antonio Jose U. Periquet, Jr. in view of his appointment as independent director of Sem-Calaca Power Corporation and Southwest Luzon Power Generation Corporation.
August 25, 2020	CTA *En Banc* Decision promulgated on June 30, 2020, denying for lack of merit the petition for review filed by CIR on February 15, 2019 and affirmed the Decision dated July 27, 2018 and Resolution dated January 15, 2019 relative to the case docketed as *"Semirara Mining Corporation vs. Bureau of Internal Revenue, Bureau of Customs and Department of Finance, Civil Case No. 13-1171, RTC Makati, Branch 146."*
September 1, 2020	CTA denied Bauer's appeal and affirmed the decision dated February 27, 2017 and order dated July 10, 2017 rendered by RTC in the case docketed as *"Bauer Foundations Philippines, Inc., plaintiff vs. Semirara Mining Corporation, et. al., Civil Case No. R-QZN-14-04802-CV, RTC Quezon City, Branch 100."*
October 23, 2020	Holding of analysts briefing for Q3-2020 financial and operating results.
October 27, 2020	Board approval of the consolidated financial statements for the period ended September 30, 2020
November 9, 2020	Termination of joint venture agreement dated April 27, 2016 among Semirara Mining and Power Corporation, Meralco Powergen Corporation and St. Raphael Power Generation Corporation. SMPC shall reacquire all the equity shareholdings of MGen in SRPGC.
December 1, 2020	Voluntary deferral of mining operations in north block 7, one of the 4 mining blocks in molave mine. The deferral is due to water build-up in the

	sump of NB7, which was caused by water seepages and aggravated by heavy rainfall from the recent typhoon.
December 1, 2020	Submission of certification of independent director, Antonio Jose U. Periquet, Jr. in view of his notice that he is no longer a director of ABS-CBN Holdings Corporation.
December 4, 2020	Attendance in corporate governance training of Rogelio M. Murga, Director; Junalina S. Tabor, CFO; and Karmine Andrea S.J. Ching, AVP-Corporate Planning of SMPC Group.
December 4, 2020	Attendance in corporate governance training of Nena D. Arenas, VP, Chief Governance Officer and Compliance Officer.
December 11, 2020	Retirement of Jaime B. Garcia, VP-Procurement & Logistics; and Antonio R. Delos Santos, VP-Treasury effective December 31, 2020.
December 28, 2020	Attendance in corporate governance training of Antonio Jose U. Periquet, Jr., Independent Director.
January 4, 2021	Advisement letter on attendance of the board in board and stockholders' meetings
February 22, 2021	Approval of procedures on nomination and election of directors; setting of deadline to submit nomination form.
February 23, 2021	Notice of analysts' briefing for FY2020 operating and financial results.
February 24, 2021	Receipt of entry of judgment dated January 26, 2021 in the case of Bauer Foundations Philippines, Inc. vs. Semirara Mining Corporation, et. al., Civil Case No. R-QZN-14-04802-CV, Regional Trial Court, Quezon City, Branch 100.
March 3, 2021	• Setting date, time and venue of annual stockholders' meeting on May 3, 2021 via remote communication with record date on March 18, 2021. • Approval of the consolidated financial statements for the period ended December 31, 2020. • Approval of the re-appointment of SGV & Co., as independent external auditor for year 2021. • Approval of organizational movement on resignation of Maria Cristina C. Gotianun as Chief Risk Officer effective immediately; and the promotion of Junalina S. Tabor as Chief Risk, Compliance and Performance Officer/SVP of SMPC Group and Carla Cristina T. Levina as CFO/VP of SMPC Group effective March 4, 2021.
March 12, 2021	Press release: SMPC earmarks P4B capex.
March 15, 2021	Approval of final list of nominees for directorship.
March 25, 2021	• Declaration of cash dividend of P1.25/share with record date on April 13, 2021 and payment date on April 23, 2021.; • Receipt of DOE resolution dated March 16, 2021 modifying its October 15, 2019 resolution in the case docketed as *"In Re: Violation of Department Circular No. DC2012-05-0006 or Guidelines on the Accreditation of Coal Traders and Registration of Coal End-Users, Semirara Mining and Power Corporation (SMPC), Respondent, DOE-ERDB Case No. 2019-06-0010, as follows:* 1. Affirming SMPC's liability for violation of Section 3 of Department Circular No. (DC) 2012-05-0006 and ordering it to pay the corresponding find therefore in the amount of Six Hundred Ten Thousand Pesos (P610,000.00); 2. Removing the penalty of One-month suspension of SMPC's coal trader accreditation, with a warning that, henceforth, it should exercise more prudence and care in conducting its coal trading related transactions in order to avoid similar issues and cases in the future.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 3rd day of March 2021.

By:

ISIDRO A. CONSUNJI
Chief Executive Officer
(Principal Executive Officer)

MARIA CRISTINA C. GOTIANUN
President & COO
(Principal Operating Officer)

JUNALINA S. TABOR
Chief Finance Officer
(Principal Financial Officer)

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this ____ day of MAY 0 7 2021 2021, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Date/Place Issued
Isidro A. Consunji	P2690001B	July 31, 2019/DFA, Manila
Maria Cristina C. Gotianun	P5509920A	January 3, 2018/DFA, Manila
Junalina S. Tabor	P8721996A	September 11, 2018/DFA, Manila
John R. Sadullo	P0031808A	October 11, 2016/DFA, Manila
Leandro D. Costales	SSS-33-5912087-4	N.A./SSS, Quezon City

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing Annual Report (SEC Form 17-A) and acknowledged that they executed the same.

Doc. No. 139;
Page No. 77;
Book No. VIII;
Series of 2021.

MARIA JOSEFINA R. ALFONSO NOTARY PUBLIC ROLL NO. 65867 MUNTINLUPA CITY, PHILIPPINES

MARIA JOSEFINA R. ALFONSO
Notary Public, Muntinlupa City
Commission No. NC-19-022
Extended until 30 June 2021 as per B.M. No. 3795
Unit 505, Richville Corporate Tower, 1107 Alabang Zapote Rd.
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. 3977944; 01/14/2021; Muntinlupa City
MCLE Compliance No. VI-0015310; 11/10/2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the **consolidated financial statements** including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 3rd day of March 2021.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this ____ day MAR 1 9 2021 2021, MUNTINLUPA CITY Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	P2690001B	July 30, 2029/DFA, Manila
Junalina S. Tabor	P8721996A	September 11, 2028/DFA, Manila

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 524;
Page No. 105;
Book No. VI;
Series of 2021.

MARIA JOSEFINA R. ALFONSO
MARIA JOSEFINA R. ALFONSO
Notary Public, Muntinlupa City
NOTARY PUBLIC
ROLL NO. 65667
MUNTINLUPA CITY, PHILIPPINES
Appointment No. [illegible]-19-022 until 31 December 2020
Unit 505, Richville [illegible] Tower, 1107 Alabang Zapote Rd.
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65667
IBP [illegible] Chapter
PTR No. 3252164; 01/03/2019; Muntinlupa City
MCLE Compliance No. VI-0015310; 11/10/2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	9	1	4	4	7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI PLaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
731	First Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Junalina S. Tabor	jstabor@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Provision for Decommissioning and Mine Site Rehabilitation Costs

The Group has recognized provision for decommissioning and mine site rehabilitation costs for the open pit mines of its coal mining activities amounting to ₱254.53 million as of December 31, 2020. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and mine site rehabilitation costs are disclosed in Notes 3 and 16 to the consolidated financial statements.

Audit response

We obtained an understanding of and performed test of controls of management's processes and controls in the estimation of future decommissioning and mine site rehabilitation costs. We evaluated the competence, capabilities and objectivity of the mine site engineers and reviewed the relevant mine rehabilitation plan prepared by the Group's Mine Planning and Exploration Department and its Environment Department. We inquired of changes in the mine plan and in the cash flow assumptions, including management's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the timing of the expected cash flows with reference to the rehabilitation plan for the open pit mines. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Recoverability of Property, Plant and Equipment with Indicators of Impairment

The Group has yet to obtain a supply agreement for its gas turbine plant with a carrying value of ₱1,073.94 million as of December 31, 2020. Also, the joint venture agreement for the development of a thermal power plant, with a carrying value of ₱282.71 million was terminated during the year. These conditions are impairment indicators for which the Group is required under PFRSs to test the recoverability of the relevant items of property, plant and equipment.

This is a key audit matter because the amounts are material to the consolidated financial statements and the assessment of recoverability requires significant judgment and involves estimation and assumptions about future electricity demand and supply, as well as external inputs such as electricity and coal prices, diesel costs, inflation rate and discount rates. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast.

The relevant information on this matter are disclosed in Notes 3, 8, 10 and 29 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and the assumptions used in the estimation of recoverable amounts. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate, taking into consideration the impact associated with the coronavirus pandemic. We compared the electricity prices, coal prices, diesel costs and inflation rate with externally published data.

We tested the parameters used in the determination of the discount rates against the discount rates of comparable companies.

In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Estimation of Mineable Ore Reserves

The Group's coal mining properties totaling to ₱5,160.28 million as of December 31, 2020 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 10 to the consolidated financial statements.

Audit response

We obtained an understanding of and performed test of controls on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 3, 2021

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 30 2021

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 30, 31 and 32)	**₱8,084,589,496**	₱6,457,084,709
Receivables (Notes 5, 19, 30 and 31)	**3,669,234,219**	3,641,501,084
Inventories (Notes 7, 10 and 21)	**10,740,142,357**	10,219,569,761
Other current assets (Notes 6, 9 and 29)	**805,492,732**	1,284,979,604
Total Current Assets	**23,299,458,804**	21,603,135,158
Noncurrent Assets		
Property, plant and equipment (Notes 10 and 12)	**45,792,738,168**	47,630,629,428
Right-of-use assets (Note 11)	**156,848,975**	175,979,686
Investment in a joint venture (Note 8)	**–**	45,217,497
Deferred tax assets - net (Note 26)	**854,996,538**	888,181,062
Other noncurrent assets (Notes 6, 9, 12, 30 and 31)	**1,041,682,098**	1,865,980,855
Total Noncurrent Assets	**47,846,265,779**	50,605,988,528
	₱71,145,724,583	₱72,209,123,686
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 15, 19, 30 and 31)	**8,306,875,283**	8,451,093,045
Short-term loans (Notes 13, 30 and 31)	**5,425,000,000**	2,070,000,000
Current portion of long-term debt (Notes 14, 30 and 31)	**2,775,355,754**	3,459,433,544
Current portion of lease liabilities (Notes 11, 30 and 31)	**13,923,691**	14,171,369
Total Current Liabilities	**16,521,154,728**	13,994,697,958
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14, 30 and 31)	**11,673,716,060**	13,067,601,460
Lease liabilities - net of current portion (Notes 11, 30 and 31)	**89,095,024**	93,366,249
Provision for decommissioning and site rehabilitation costs (Notes 3 and 16)	**279,202,621**	522,804,859
Pension liabilities (Note 20)	**397,545,236**	294,753,397
Total Noncurrent Liabilities	**12,439,558,941**	13,978,525,965
Total Liabilities	**28,960,713,669**	27,973,223,923
Equity		
Capital stock (Notes 17 and 30)	**4,264,609,290**	4,264,609,290
Additional paid-in capital (Note 30)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 18 and 30):		
Unappropriated	**26,807,243,576**	28,833,678,689
Appropriated	**5,300,000,000**	5,300,000,000
Net remeasurement losses on pension plan (Notes 20 and 30)	**(122,842,685)**	(98,388,949)
Treasury shares (Notes 17 and 30)	**(739,526,678)**	(739,526,678)
Total Equity	**42,185,010,914**	44,235,899,763
	₱71,145,724,583	₱72,209,123,686

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 33)			
Coal	**₱16,488,547,162**	₱29,085,433,388	₱23,185,658,133
Power	**11,761,821,344**	15,166,671,920	18,782,854,690
	28,250,368,506	44,252,105,308	41,968,512,823
COSTS OF SALES (Notes 21 and 33)			
Coal	**12,280,311,958**	17,783,785,669	12,262,084,112
Power	**7,419,105,537**	8,863,373,331	8,582,086,177
	19,699,417,495	26,647,159,000	20,844,170,289
GROSS PROFIT	**8,550,951,011**	17,604,946,308	21,124,342,534
OPERATING EXPENSES (Notes 22 and 33)	**(4,554,061,716)**	(7,364,921,176)	(7,775,795,327)
INCOME FROM OPERATIONS	**3,996,889,295**	10,240,025,132	13,348,547,207
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 24 and 33)	**45,872,939**	282,983,032	129,168,367
Finance costs (Notes 23 and 33)	**(1,094,820,551)**	(1,316,867,512)	(942,934,975)
Foreign exchange gains (losses) - net (Note 33)	**154,685,877**	(8,674,131)	(388,310,437)
Other income - net (Notes 25 and 33)	**316,719,609**	186,198,604	608,411,854
	(577,542,126)	(856,360,007)	(593,665,191)
INCOME BEFORE INCOME TAX	**3,419,347,169**	9,383,665,125	12,754,882,016
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 26 and 33)	**132,597,757**	(295,125,686)	729,500,958
NET INCOME	**3,286,749,412**	9,678,790,811	12,025,381,058
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 20)	**(34,933,908)**	(89,133,039)	71,775,630
Income tax effect	**10,480,172**	26,739,912	(21,532,689)
	(24,453,736)	(62,393,127)	50,242,941
TOTAL COMPREHENSIVE INCOME	**₱3,262,295,676**	₱9,616,397,684	₱12,075,623,999
Basic/Diluted Earnings per Share (Note 27)	**₱0.77**	₱2.28	₱2.83

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
APR 30 2021

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings Unappropriated (Note 18)	Retained Earnings Appropriated (Note 18)	Net Remeasurement Loss on Pension Plan (Note 20)	Treasury Shares (Note 17)	Total
			For the Year Ended December 31, 2020				
Balances as of January 1, 2020	**₱4,264,609,290**	**₱6,675,527,411**	**₱28,833,678,689**	**₱5,300,000,000**	**(₱98,388,949)**	**(₱739,526,678)**	**₱44,235,899,763**
Comprehensive income							
Net income	–	–	3,286,749,412	–	–	–	3,286,749,412
Other comprehensive loss	–	–	–	–	(24,453,736)	–	(24,453,736)
Total comprehensive income (loss)	–	–	3,286,749,412	–	(24,453,736)	–	3,262,295,676
Cash dividends declared (Note 18)	–	–	(5,313,184,525)	–	–	–	(5,313,184,525)
Balances as of December 31, 2020	**₱4,264,609,290**	**₱6,675,527,411**	**₱26,807,243,576**	**₱5,300,000,000**	**(₱122,842,685)**	**(₱739,526,678)**	**₱42,185,010,914**
			For the Year Ended December 31, 2019				
Balances as of January 1, 2019	₱4,264,609,290	₱6,675,527,411	₱20,468,072,403	₱9,300,000,000	(₱35,995,822)	(₱739,526,678)	₱39,932,686,604
Comprehensive income							
Net income	–	–	9,678,790,811	–	–	–	9,678,790,811
Other comprehensive loss	–	–	–	–	(62,393,127)	–	(62,393,127)
Total comprehensive income (loss)	–	–	9,678,790,811	–	(62,393,127)	–	9,616,397,684
Cash dividends declared (Note 18)	–	–	(5,313,184,525)	–	–	–	(5,313,184,525)
Reversal of appropriation (Note 18)	–	–	4,000,000,000	(4,000,000,000)	–	–	–
Balances as of December 31, 2019	₱4,264,609,290	₱6,675,527,411	₱28,833,678,689	₱5,300,000,000	(₱98,388,949)	(₱739,526,678)	₱44,235,899,763
			For the Year Ended December 31, 2018				
Balances as of January 1, 2018	₱4,264,609,290	₱6,675,527,411	₱18,013,400,740	₱9,300,000,000	(₱86,238,763)	(₱487,919,538)	₱37,679,379,140
Acquisition of treasury shares	–	–	–	–	–	(251,607,140)	(251,607,140)
Comprehensive income							
Net income	–	–	12,025,381,058	–	–	–	12,025,381,058
Other comprehensive income	–	–	–	–	50,242,941	–	50,242,941
Total comprehensive income	–	–	12,025,381,058	–	50,242,941	–	12,075,623,999
Cash dividends declared (Note 18)	–	–	(9,570,709,395)	–	–	–	(9,570,709,395)
Balances as of December 31, 2018	₱4,264,609,290	₱6,675,527,411	₱20,468,072,403	₱9,300,000,000	(₱35,995,822)	(₱739,526,678)	₱39,932,686,604

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,419,347,169**	₱9,383,665,125	₱12,754,882,016
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 12, 21 and 22)	**6,280,597,948**	6,923,044,039	7,784,475,344
Finance costs (Note 23)	**1,094,820,551**	1,316,867,512	942,934,975
Provision for impairment losses (Notes 10 and 22)	**157,196,754**	166,474,665	–
Pension expense, net of contributions (Note 20)	**70,889,130**	692,535	60,980,688
Net unrealized foreign exchange gains (losses)	**68,737,670**	139,226,570	(53,699,447)
Equity in net earnings of joint venture (Note 8)	**(306,874)**	(690,954)	(380,459)
Gain on sale of equipment (Notes 10 and 25)	**(67,002,889)**	(12,000,005)	(22,683,458)
Finance income (Note 24)	**(45,872,940)**	(282,983,032)	(129,168,367)
Unrealized loss (gain) on financial asset at FVPL (Note 6)	**–**	245,443,777	(25,775,773)
Provision for decommissioning and site rehabilitation (Note 21)	**–**	–	436,522,946
Operating income before changes in operating assets and liabilities	**10,978,406,519**	17,879,740,232	21,748,088,465
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(47,706,197)**	3,513,775,127	(825,846,621)
Other current assets	**479,486,872**	2,666,679,312	(2,033,777,003)
Inventories	**(221,480,470)**	2,769,576,176	(5,557,602,875)
Decrease in trade and other payables	**(312,307,323)**	(1,486,026,563)	(780,257,360)
Decrease in provision for decommissioning and site rehabilitation costs	**–**	(14,543,926)	(1,598,420,875)
Cash generated from operations	**10,876,399,401**	25,329,200,358	10,952,183,731
Interest received (Note 24)	**75,968,005**	282,983,032	129,168,367
Income taxes paid	**(78,615,783)**	(193,027,854)	(729,088,556)
Interest paid	**(1,043,688,003)**	(1,270,024,784)	(841,687,302)
Pension settlement (Note 20)	**(13,348,477)**	(11,071,731)	(7,417,414)
Net cash provided by operating activities	**9,816,715,143**	24,138,059,021	9,503,158,826
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 10 and 32)	**(5,483,531,298)**	(11,634,346,801)	(9,528,471,843)
Computer software (Note 12)	**(4,562,479)**	(10,326,053)	(10,640,402)
Investment in a joint venture (Note 8)	**(56,500,000)**	–	–
Proceeds from sale of equipment (Note 10)	**546,586,932**	12,000,005	158,610,324
Decrease (increase) in other noncurrent assets (Notes 11 and 12)	**818,116,520**	(742,661,592)	808,263,986
Net cash used in investing activities	**(4,179,890,325)**	(12,375,334,441)	(8,572,237,935)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans (Notes 13, 14 and 32)	**₱4,980,000,000**	₱47,494,250,000	₱7,859,848,705
Payments of:			
Loans (Notes 13, 14 and 32)	**(3,702,514,285)**	(49,417,912,229)	(5,526,691,188)
Principal portion of lease liabilities (Notes 11, 30, and 31)	**(5,245,912)**	(10,868,143)	–
Dividends (Notes 18 and 32)	**(5,313,211,592)**	(5,313,293,707)	(9,571,357,480)
Acquisition of treasury shares (Notes 17 and 32)	**–**	–	(251,607,140)
Net cash used in financing activities	**(4,040,971,789)**	(7,247,824,079)	(7,489,807,103)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31,651,757**	39,232,685	(9,070,942)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,627,504,787**	4,554,133,186	(6,567,957,154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,457,084,709**	1,902,951,523	8,470,908,677
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱8,084,589,496**	₱6,457,084,709	₱1,902,951,523

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF ...
APR 30 2021
EXCISE ... DIVISION

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (SMPC or the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is a 56.65%-owned subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly-listed entity in the Philippines and its ultimate parent company.

The Parent Company and its subsidiaries are collectively referred to herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, *"The Coal Development Act of 1976"*, and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets, among others.

The consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, were authorized for issue by the Board of Directors (BOD) on March 3, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded off to the nearest Peso, except for earnings per share and par value information or unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019 and Memorandum Circular No. 4, Series of 2020.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020:

	Effective Rates of Ownership		
	2020	2019	2018
Sem-Calaca Power Corporation (SCPC)	**100.00 %**	100.00 %	100.00%
Sem-Calaca RES Corporation (SCRC)[1]	**100.00**	100.00	100.00
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**	100.00	100.00
Semirara Claystone, Inc. (SCI)	**100.00**	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	**100.00**	100.00	100.00
Southeast Luzon Power Generation Corporation (SELPGC)[2]	**100.00**	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)[3]	**100.00**	-	-

1. Wholly-owned subsidiary of SCPC. Started commercial operations on August 29, 2018.
2. Formerly SEM-Balayan Power Generation Corporation (SBPGC).
3. During the year, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (see Note 3).

Except for SCPC, SLPGC and SCRC, the other subsidiaries have not yet started commercial operations as of December 31, 2020.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between components of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the entity controls an investee if and only if the entity has the following element:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support the presumption and when the entity has less than a majority of the voting or similar rights of an investee, the entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the entity loses control over a subsidiary, it:

- Derecognizes the related assets (including goodwill), liabilities, non-controlling interests (NCI) and other components of equity,
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are charge to expense in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Asset Acquisitions

To assess whether a transaction is the acquisition of a business, the Group applies first a quantitative concentration test (also known as a screening test). The Group is not required to apply the test but may elect to do so separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the Group elects not to apply the test, the Group will perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as noncontrolling-interests.

When the Group obtains control over a previously held joint operation, and the joint operation does not constitute a business, the transaction is also accounted for as an asset acquisition which does not give rise to goodwill. The acquisition cost to obtain control of the joint operation is allocated to the individual identifiable assets acquired and liabilities assumed, including the additional share of any assets and liabilities previously held or incurred jointly, on the basis of their relative fair values at the date of purchase. Previously held assets and liabilities of the joint operation should remain at their carrying amounts immediately before the transaction.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new standards which became effective January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments apply to the current year acquisitions of the Group (see Note 3 for the related disclosures) and will apply to future business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

  The amendments did not have an impact on the consolidated financial statements.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Group shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

Significant Accounting Policies and Disclosures

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after reporting date; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to insignificant risk of change in value.

Recognition and Measurement of Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI and FVPL.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under PFRS 15 (refer to the accounting policies in *Revenue from contracts with customers*).

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2020 and 2019, the Group's financial assets compromise of financial assets at amortized cost and financial asset at FVPL.

Subsequent measurement - Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- the asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and environmental guarantee fund (included under other noncurrent assets).

Subsequent measurement - Financial asset at FVPL
Financial asset at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivatives arising from contract for differences entered with a third party.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such receivable from related parties, other receivables and refundable deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For short-term investments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are trade and other payables (except statutory payables), short-term loans, long-term debt and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Loans and borrowings (Financial liabilities at amortized cost)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in consolidated statement of comprehensive income.

This category generally applies to trade and other payables, short-term loans, and long-term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Group's consolidated statement of comprehensive income.

Deferred Financing Costs
Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for ship loading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed.

Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Stripping Costs
As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and,
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

Mineable Ore Reserves
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

The estimate on the mineable ore reserve are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Group will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

Property, Plant and Equipment
Upon completion of exploration, evaluation and development of the mine, the capitalized assets are transferred into property, plant and equipment. Items of property, plant and equipment except land, equipment in transit and construction in progress are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consist of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property.

Mine properties are depreciated or amortized on a units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining tools and other equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

Value-Added Taxes (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation. Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Investment in a Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Other Assets
Other assets pertain to all other resources controlled by the Group as a result of past events and from which future economic benefits are probable to flow to the Group.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in a joint venture, right-of-use assets, other current and noncurrent assets (except for financial asset at FVPL), and property, plant and equipment) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Investment in a joint venture
The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e., higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, right-of-use assets and other current and noncurrent assets, reversal is recognized in the consolidated statement of comprehensive income, unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Income Recognition
Revenue from Contracts with Customers
The Group primarily derives its revenue from the sale of coal and power. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of coal
Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US$), respectively.

Contract energy sales
Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using an output method measured principally on actual energy delivered each month.

Spot electricity sales
Revenue from spot electricity sales are derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue from spot electricity sales is recognized over time using an output method measured principally on actual excess generation delivered to WESM.

Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Dividend Income
Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Finance income
Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Other income
Other income is recognized when receipts of economic benefits are virtually certain and comes in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than from those relating to contributions from equity participants.

Cost of Sales
Cost of coal
Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. These costs are recognized when incurred.

Cost of power
Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Contract balances
Trade receivables
Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract fulfillment costs
The Group incurs shiploading costs for each coal delivery made under its contracts with customers. The Group has elected to apply the optional practical expedient for costs to fulfill a contract which allows the Group to immediately expense shiploading costs (presented as part of cost of sales under 'Hauling and shiploading costs') because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Borrowing Costs
Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Foreign Currency Translations and Transactions
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Pension Cost

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

The Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on

a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

"Right-of-use assets" are presented under noncurrent assets in the consolidated statement of financial position and are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Tax

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the consolidated statement of comprehensive income and statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)

Basic EPS is computed by dividing the consolidated net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Treasury Shares

Treasury shares pertains to own equity instruments which are reacquired and are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements on the period in which the change occurs.

Events after Reporting Date
Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Revenue recognition - method and measure of progress*
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group concluded that revenue from coal sales is to be recognized at a point in time as the control transfers to customers at the date of shipment.

On the other hand, the Group's revenue from power sales (both contract energy and spot electricity sales) is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits as the Group performs its obligation.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

b. *Determination of components of ore bodies and allocation measures for stripping cost allocation*
The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *Contingencies*
The Group is currently involved in various legal proceedings and other claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently believes that these claims will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the assessment or in the effectiveness of the strategies relating to these proceedings (see Note 29).

d. *Determination of lease term of contracts with renewal and termination options - Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable (see Note 11)

e. *Evaluation whether acquisitions constitute a business combination*
The Parent Company acquired additional 50% ownership interest in SRPGC through a Deed of Assignment, with a joint venture partner. SRPGC is in the process of developing power plants in Calaca, Batangas. Prior to acquisition, SMPC already owned 50% ownership interest in SRPGC.

In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The Group assessed that the acquisition of SRPGC does not constitute a business. In making the judgment, the Group considered the status of SRPGC and assessed that there was no substantive process acquired as of acquisition date. As such, the transaction was accounted for as an acquisition of assets.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Estimating mineable ore reserves*
The Group uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Group estimates its mineable ore reserves based on the assessment performed by the external and internal specialist engaged by the Group, who are professionally qualified mining engineers and geologists (specialists). These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱5,160.28 million and ₱4,338.74 million as of December 31, 2020 and 2019, respectively (see Note 10).

b. *Estimating provision for expected credit losses of trade and other receivables*
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 5.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amounts of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

c. *Estimating stockpile inventory quantities*
The Group estimates the stockpile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third-party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%). Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

The coal inventory as of December 31, 2020 and 2019 amounted to ₱2,016.65 million and ₱2,223.58 million, respectively (see Note 7).

d. *Estimating allowance for obsolescence in spare parts and supplies*
The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete. The amount of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 7.

e. *Estimating recoverability of capitalized development costs*
Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

The information about the estimation of recoverability of capitalized development costs is discussed in Note 12.

f. *Estimating provision for decommissioning and site rehabilitation costs*
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., cost of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases,

and changes in inflation rates and discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

Information with respect to the estimated provision for decommissioning and site rehabilitation cost are disclosed in Note 16.

g. *Impairment assessment of nonfinancial assets*
The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as the following:
- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2020	2019
Investments in a joint venture (Note 8)	**₱–**	₱45,217,497
Property, plant and equipment (Note 10)	**45,792,738,168**	47,630,629,428
Right-of-use assets (Note 11)	**156,848,975**	175,979,686
Other current assets (Note 9)*	**805,492,732**	1,284,979,604
Other noncurrent assets (Note 12)*	**1,041,682,098**	1,865,980,855

**Excluding current and noncurrent financial assets.*

The Group assessed that an indicator of impairment exists for the ancillary gas turbine plant of SLPGC due to its withdrawal from the ancillary contract with NGCP in 2019 (see Note 34). As of December 31, 2020, the gas turbine plant has yet to secure a supply agreement. Considering this, the Group reperformed impairment assessment on its gas turbine plant and recognized an impairment loss amounting to ₱157.20 million in 2020 to reduce the carrying value to its recoverable amount (nil in 2019 and 2018). The recoverable amount was computed using discounted cash flows approach and considered certain assumptions, such as future electricity demand and supply, historical and future dependable capacity, electricity prices, growth rate, diesel costs, inflation rate and discount rate, taking into consideration the impact of COVID-19 pandemic. As of December 31, 2020 and 2019, the carrying value of ancillary gas turbine, net of related allowance for impairment loss, amounted to ₱1,073.94 million and ₱1,286.70 million, respectively (see Note 10).

The Group also assessed for impairment the pre-construction costs of the 2x350 power plants of SRPGC amounting to ₱282.71 million, due to termination of the related joint venture agreement in 2020 (see Notes 8 and 10). The recoverable amount was determined using assumptions about future electricity demand and supply, as well as external inputs such as electricity and coal prices, diesel costs, inflation rate and discount rate. Discount rate used to compute for the recoverable amount was 10.78%. No impairment loss was recognized in 2020 as a result of the test.

In addition, management also recognized provision for impairment loss on "Other current assets" amounting to ₱82.94 million in 2019 (nil in 2020 and 2018), since management assessed that the carrying amount of these assets are not recoverable (see Notes 9 and 12). Related allowance for impairment losses as of December 31, 2020 and 2019 amounted to ₱98.23 million.

Management believes that no impairment indicator exists for the Group's other nonfinancial assets.

h. *Estimating useful lives of depreciable property, plant and equipment*
The Group estimated the useful lives of its property, plant and equipment (except land, equipment in transit and construction in progress) based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.

In 2019, the Group incurred a loss from dismantling of a mining equipment amounting to ₱83.54 million (nil in 2020 and 2018; see Notes 10 and 22).

In 2017, the BOD approved the rehabilitation of the Group's Units 1 and 2 coal-fired thermal power plant. This resulted to the recording of accelerated depreciation amounting to ₱101.23 million, ₱549.95 million and ₱1,210.10 million in 2020, 2019 and 2018, respectively. The rehabilitation of the Units 1 and 2 were completed in 2019 and 2020, respectively, and there are no salvage values for the parts replaced.

In estimating the useful life of depreciable assets that are constructed in a leased property, the Group considers the enforceability of and the intent of management to exercise the option to purchase the leased property. For these assets, the depreciation period is over the economic useful life of the asset which may be longer than the remaining lease period.

The carrying values and movements in property, plant and equipment are disclosed in Note 10.

i. *Deferred tax assets*
The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

The deductible temporary differences and NOLCO for which deferred tax assets are not recognized are disclosed in Note 26.

j. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 20 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary and pension increases are based on management's assumption aligned with the future inflation rates.

k. *Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). This rate reflects the amount that the entity would need to borrow over the term of the lease.

The Group's lease liabilities discounted using the IBR amounted to ₱103.02 million and ₱107.54 million as of December 31, 2020 and 2019, respectively (see Note 11).

l. *Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is measured using valuation techniques using the market data approach (i.e., Monte Carlo simulation). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The carrying amount and assumptions for the fair valuation of derivatives are disclosed in Note 6.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱3,897,601,336**	₱1,949,681,971
Cash equivalents	**4,186,988,160**	4,507,402,738
	₱8,084,589,496	₱6,457,084,709

Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective prevailing short-term placement rates ranging from 0.50% to 4%, 0.13% to 4.45%, and 1.10% to 7.50% in 2020, 2019 and 2018, respectively.

In 2020, 2019 and 2018, total interest income earned from cash and cash equivalents amounted to ₱45.63 million, ₱81.24 million and ₱128.65 million, respectively (see Note 24).

5. Receivables

This account consists of:

	2020	2019
Trade receivables - outside parties	**₱4,709,006,489**	₱4,951,021,542
Trade receivables - related parties (Note 19)	**307,412,820**	150,552,051
Others (Note 25)	**223,069,351**	110,181,932
	5,239,488,660	5,211,755,525
Less allowance for impairment losses	**1,570,254,441**	1,570,254,441
	₱3,669,234,219	₱3,641,501,084

Trade receivables - outside parties
These are receivables from electricity sales and coal sales.

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. This also includes advances to Philippine Electricity Market Corporation (PEMC) for the adjustment of bills amounting to ₱888.22 million as of December 31, 2019 (nil in 2020, see Note 29). These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 days credit terms. These receivables arise from export sales for coal sold to international market which are priced in US$ and local sales for coal sold to domestic market which are priced in Philippine Peso.

On November 26, 2018, SCPC entered into a Receivable Purchase Agreement with a local bank for the sale of receivables with recourse amounting to ₱1,272.23 million. Accordingly, a Master Deed of Assignment was executed by both parties on December 11, 2018 to transfer the rights over these receivables from SCPC to the local bank; however, in the event of default by SCPC's customer, the local bank has the right to collect from SCPC. Proceeds from the financing amounted to ₱1,268.03 million. Discount arising from this agreement was recognized as 'Finance cost' in the consolidated statements of comprehensive income (see Note 23).

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and due and demandable. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally noninterest-bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash are generally settled within the 30 to 45 days credit terms.

Allowance for impairment losses
As of December 31, 2020 and 2019, this account pertains to the following:

Trade receivables - outside parties	₱1,564,439,082
Others	5,815,359
	₱1,570,254,441

Provision for impairment losses for receivables recognized in 2018 based on lifetime ECL amounted to ₱25.33 million (nil in 2020 and 2019, see Note 22)

6. Financial Asset at FVPL

The Group's financial asset at FVPL pertains to a five-year option agreement (until December 2021) with a retail electricity supplier (RES) entered in February 2017 with respect to its exposure to the WESM which does not constitute the supply of power by the Group to the RES. This qualified as a derivative but was not designated as a hedging instrument against the Group's exposure in the WESM.

On March 25, 2020, the parties agreed to pre-terminate the contract and the Group recognized gain on pre-termination amounting to ₱37.24 million which is lodged under "Other income - net" in the consolidated statements of comprehensive income (see Note 25). The pre-termination did not constitute any default of either party or give rise to any termination fee.

Prior to termination, the fair value of the derivative was determined using the market data approach, Monte Carlo simulation (MCS) valuation, which is categorized within Level 3 of the fair value hierarchy. Because of the complexities in the option agreement such as the optionality of the payoff and variability of strike price, the MCS methodology is deemed appropriate for the valuation. Management uses published BVAL reference rates by the Bankers Association of the Philippines (BAP) in interpolation of discount rate.

Related gains (losses) recognized in profit or loss in 2019 and 2018 (nil in 2020) are as follows:

	2019	2018
Realized (Note 25)	(₱398,032,248)	₱65,817,775
Unrealized (Note 25)	(245,443,777)	25,775,773

Significant inputs to the valuation are as follows:

	2019	2018
WESM prices per kilowatt hour (kWh)	₱3.27 to ₱3.93	₱2.63 to ₱3.63
Philippine Peso to US$ exchange rate	₱49.77 to ₱54.34	₱45.92 to ₱54.35
Consumer price index	67.77	101.81
Coal price index	121.10	119.60
Basis of risk-free rate as of December 31*	3.74%	6.94%

**Based on Bloomberg Valuation Service (BVAL)*

7. Inventories

This account consists of:

	2020	2019
Spare parts and supplies - at NRV	**₱8,723,491,132**	₱7,995,986,192
Coal pile inventory - at cost	**2,016,651,225**	2,223,583,569
	₱10,740,142,357	₱10,219,569,761

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of coal sales' in the consolidated statements of comprehensive income amounted to ₱11,840.35 million, ₱17,574.81 million and ₱12,238.21 million in 2020, 2019 and 2018, respectively (see Note 21).

Coal pile inventory at cost includes capitalized depreciation of ₱324.71 million, ₱443.04 million and ₱891.67 million in 2020, 2019 and 2018, respectively (see Note 10).

Spare parts and supplies, with previously recognized allowance for obsolescence, amounted to ₱5.88 million were written off in 2020 (nil in 2019 and 2018). Allowance for obsolescence amounted to ₱61.51 million and ₱67.39 million as of December 31, 2020 and 2019, respectively.

8. Investment in a Joint Venture

On September 10, 2013, St. Raphael Power Generation Corporation (SRPGC) was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPGC is in the process of developing and constructing a proposed 2x350 MW, coal-fired power plant in Calaca, Batangas.

SRPGC is accounted for as a joint venture by Parent Company and Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of Manila Electric Company (MERALCO), as each holds a 50% ownership interest in SRPGC which clearly demonstrates joint control over SRPGC and the equal representation of the Parent Company and MGen in SRPGC's BOD further signifies that there should be a unanimous consent between the two parties in order for significant activities to be undertaken by SRPGC. The arrangement between the Parent Company and MGen over the operations of SRPGC is based on the joint venture agreement executed on April 27, 2016.

The Parent Company's equity in net earnings (losses) of SRPGC in 2020, 2019 and 2018 amounted to ₱0.31 million, ₱0.69 million and ₱0.38 million, respectively, included under "Operating expenses (see Note 22).

On September 30, 2020, SRPGC made an equity call and the Parent Company and MGen paid additional ₱56.50 million each.

On November 9, 2020, the joint venture agreement between the Parent Company and MGen was terminated. Subsequently after termination, SRPGC became a wholly-owned subsidiary of the Parent Company upon acquisition by the latter of the 50% equity shareholdings from MGen for ₱115.0 million, which remained unpaid as of December 31, 2020. As of the same date, SRPGC has started the pre-construction work and the related capitalized costs amounting to ₱282.71 million are included as part of "Property, Plant and Equipment" in the consolidated statements of financial position (see Note 10). The acquisition of the 50% interest in SRPGC was accounted for as an asset acquisition (see Note 3).

9. Other Current Assets

This account consists of:

	2020	2019
Creditable withholding tax	**₱650,544,168**	₱518,887,403
Advances to suppliers and contractors (Note 12)	**161,753,032**	555,780,413
Input VAT - net (Note 12)	**–**	206,301,898
Prepaid insurance	**38,869,056**	28,778,738
Prepaid rent	**3,030,748**	3,030,748
Others	**34,234,807**	55,139,483
	888,431,811	1,367,918,683
Less allowance for impairment losses (Note 22)	**82,939,079**	82,939,079
	₱805,492,732	₱1,284,979,604

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Advances to suppliers and contractors
Advances to suppliers and contractors represent prepayments for the acquisition of materials and supplies and is expected to be realized within one (1) year. In 2019, the Group recognized provision for impairment loss on this account amounting to ₱82.94 million (nil 2020 and 2018, see Note 22).

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Input VAT- net
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods.

Others
Others include environmental guarantee fund and guarantee deposit to government and other prepaid charges.

10. Property, Plant and Equipment

The rollforward of this account follows:

	2020					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱386,884,790	₱34,797,430,978	₱49,430,748,239	₱846,946,929	₱4,259,979,442	₱89,721,990,378
Additions	–	2,864,208,129	253,439,892	–	2,582,907,647	5,700,555,668
Reclassifications	–	–	4,345,744,560	–	(4,345,744,560)	–
Write-down (Note 22)	–	–	(424,618,118)	–	–	(424,618,118)
Disposals (Note 25)	–	(64,610,303)	–	–	(564,278,112)	(628,888,415)
Adjustment (Note 16)	–	(267,884,424)	–	–	–	(267,884,424)
At December 31	386,884,790	37,329,144,380	53,605,314,573	846,946,929	1,932,864,417	94,101,155,089
Accumulated Depreciation and Impairment						
At January 1	–	26,462,473,351	14,991,714,222	637,173,377	–	42,091,360,950
Depreciation and amortization (Notes 3, 7, 21 and 22)	–	3,315,395,686	3,176,710,151	56,981,801	–	6,549,087,638
Write-down (Note 22)	–	–	(267,421,364)	–	–	(267,421,364)
Disposals (Note 25)	–	(64,610,303)	–	–	–	(64,610,303)
At December 31	–	29,713,258,734	17,901,003,009	694,155,178	–	48,308,416,921
Net Book Value	₱386,884,790	₱7,615,885,646	₱35,704,311,564	₱152,791,751	₱1,932,864,417	₱45,792,738,168

	2019					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱386,884,790	₱31,538,323,156	₱43,166,791,765	₱846,946,929	₱2,888,555,009	₱78,827,501,649
Additions	–	3,274,162,829	106,557,966	–	8,310,338,533	11,691,059,328
Reclassifications (Notes 7 and 11)	–	43,453,932	6,707,345,516	–	(6,938,914,100)	(188,114,652)
Write-down (Note 22)	–	(118,405,879)	–	–	–	(118,405,879)
Disposals (Note 25)	–	(23,824,727)	(549,947,008)	–	–	(573,771,735)
Adjustment (Note 16)	–	83,721,667	–	–	–	83,721,667
At December 31	386,884,790	34,797,430,978	49,430,748,239	846,946,929	4,259,979,442	89,721,990,378
Accumulated Depreciation and Impairment						
At January 1	–	22,430,340,913	12,297,245,128	580,191,575	₱–	35,307,777,616
Depreciation and amortization (Notes 3, 7, 21 and 22)	–	4,090,827,458	3,244,416,102	56,981,802	–	7,392,225,362
Write-down (Note 22)	–	(34,870,293)	–	–	–	(34,870,293)
Disposals (Note 25)	–	(23,824,727)	(549,947,008)	–	–	(573,771,735)
At December 31	–	26,462,473,351	14,991,714,222	637,173,377	–	42,091,360,950
Net Book Value	₱386,884,790	₱8,334,957,627	₱34,439,034,017	₱209,773,552	₱4,259,979,442	₱47,630,629,428

Mine properties, mining tools and other equipment

- Mine properties, mining tools and other equipment includes the mining properties and stripping activity assets amounting to ₱5,160.28 million and ₱4,388.74 million as of December 31, 2020 and 2019, respectively.

- These also include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Notes 3 and 16).

- In 2019, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (nil in 2020, see Note 22). In relation to the dismantling, the recovered parts and construction supplies in the amount of ₱182.72 million that are still usable were transferred to "Inventories" in the consolidated statements of financial position (see Note 7).

Power Plant and Buildings

- Power Plant and Buildings includes the ancillary gas turbine plant covered by the Ancillary Services and Procurement Agreement with the NGCP which was withdrawn in 2019 (see Note 29). Up to 2020, the Group has yet to secure a supply agreement for this plant. Accordingly, in 2020, the Group revisited the recoverable amount of the plant and recognized impairment loss amounting to ₱157.20 million (see Notes 3 and 22). The carrying value of this plant amounted to ₱1,073.94 million and ₱1,286.70 million as of December 31, 2020 and 2019, respectively.

- The replacement of the significant components of SCPC's Units I and II coal-fired thermal power plants as part of the life extension rehabilitation program, resulted to the accelerated recognition of depreciation expense (see Notes 3 and 22). The Group did not expect any salvage values for the parts to be replaced.

- Costs of dismantling and removing certain assets under lease was reclassified and included in the right-of-use assets recognized upon adoption of PFRS 16 in 2019 (see Note 11).

Equipment in transit and construction in progress accounts

- Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2020 and 2019. In 2020 and 2019, there were reclassifications from "Equipment in Transit and Construction in progress" to "Power Plant and Building" for the regular rehabilitation and completion of additional coal-fired thermal power plants and bunker-fired genset totaling to ₱7,534.33 million and ₱6,712.53 million, respectively.

- This also includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱282.71 million as of December 31, 2020 (nil as of December 31, 2019; see Notes 12 and 35). Reclassifications from "Construction in progress" amounting to ₱8,415.60 million and ₱6,938.71 million pertain to the regular rehabilitation and completion of additional coal-fired thermal power plants and bunker-fired genset and other completed improvements on existing facilities.

- In 2020, the Group sold its marine vessels included under "Equipment in Transit and Construction in Progress" and "Mine Properties, Mining Tools and Other Equipment" to DMC-CERI for ₱620.58 million, of which ₱84.69 million remained uncollected as of December 31, 2020. Gain recognized from the sale amounted ₱56.30 million (see Notes 19 and 25).

The Group also sold various equipment to third parties at a gain amounting to ₱10.70 million, ₱12.00 million and ₱22.68 million, in 2020, 2019 and 2018, respectively (see Note 25).

As security for timely payment, discharge, observance and performance of the loan provisions, the Group created, established, and constituted a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC in favor of the Security Trustee, for the benefit of all secured parties. Also, 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. In 2019, the Group was released on the real estate and chattel mortgage due to the prepayment of the loan.

Depreciation and amortization follow:

	2020	2019	2018
Included under:			
Inventories (Note 7)	**₱324,707,108**	₱443,040,632	₱891,667,535
Mine properties, mining tools and other equipment	**261,445,284**	56,712,527	–
Cost of coal sales (Note 21):			
Depreciation and amortization	**2,346,583,325**	3,461,657,292	3,276,055,748
Hauling and shiploading costs	**61,458,508**	35,861,154	22,831,289
Cost of power sales (Note 21):			
Depreciation and amortization	**2,871,506,678**	2,483,914,467	2,444,928,202
Cost of coal:			
Depreciation and amortization	**519,986,937**	298,030,756	752,611,208
Operating expenses (Note 22)	**194,002,240**	643,580,370	1,288,048,897
	₱6,579,690,076	₱7,422,797,198	₱8,676,142,879
Depreciation and amortization of:			
Property, plant and equipment	**₱6,549,087,638**	₱7,392,225,362	₱8,668,669,331
Right-of-use assets (Note 11)	**19,857,722**	18,994,967	–
Computer software (Note 12)	**10,744,716**	11,576,869	7,473,548
	₱6,579,690,076	₱7,422,797,198	₱8,676,142,879

Depreciation and amortization of 'Property, plant and equipment' includes amortization of stripping activity asset amounting to ₱3.32 million, ₱0.30 million and ₱7.27 million in 2020, 2019 and 2018, respectively.

11. Leases

The Group as a Lessee

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore generally have lease terms between five (5) and 15 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of warehouse, and office spaces with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below the movement in the Group's right-of-use assets and lease liabilities during the year:

	Right-of-use Assets	
	2020	2019
At Cost		
Beginning balance	**₱194,974,653**	₱190,624,079
Additions	**727,011**	4,350,574
Ending balance	**195,701,664**	194,974,653
Accumulated Amortization		
Beginning balance	**18,994,967**	–
Amortization (Note 21 and 22)	**19,857,722**	18,994,967
Ending balance	**38,852,689**	18,994,967
	₱156,848,975	₱175,979,686

	Lease Liabilities	
	2020	2019
Beginning balance	**₱107,537,618**	₱114,055,187
Additions	**727,011**	4,350,574
Accretion of interest	**8,774,991**	6,620,167
Lease payments	**(14,020,905)**	(17,488,310)
Ending balance	**103,018,715**	107,537,618
Less current portion of lease liabilities	**13,923,691**	14,171,369
Noncurrent lease liabilities	**₱89,095,024**	₱93,366,249

Prepaid rent (under current and noncurrent assets) amounting to ₱71.18 million was adjusted against the amount of right-of-use assets recognized upon adoption of PFRS 16 on January 1, 2019. This prepaid rent pertains to the advance rent payment of SCPC to PSALM which covers the 25-year land lease (see Note 29). At the same time, related costs of dismantling and removing the underlying assets under lease, amounting to ₱5.39 million, was included in the right-of-use assets recognized.

The Group applied the requirements of PFRS 16 for this long-term lease and did not change the amount initially recognized as right-of-use asset at the date of initial application. No corresponding lease liability was recognized given the prepayment.

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's weighted average incremental borrowing rate of 6.32% and 7.77% in 2020 and 2019, respectively.

In 2020 and 2019, the Group recognized rent expense amounting to ₱3.62 million and ₱13.27 million, respectively, included under "Cost of Sales' and 'Operating Expenses' in the consolidated statements of comprehensive income in relation with the short-term leases where recognition exemption were availed upon adoption of PFRS 16 (nil in 2018, see Notes 21 and 22).

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's weighted average incremental borrowing rate of 6.32 % and 7.77% in 2020 and 2019, respectively.

In 2020 and 2019, total rent expense recognized by the Group for all operating lease agreements under "Cost of Sales' and 'Operating Expenses' in the consolidated statements of comprehensive income amounted to ₱109.73 million and ₱109.73 million, respectively (see Notes 21 and 22).

As of December 31, 2020 and 2019, future minimum lease payments under operating leases are as follows:

	2020	2019
Within one year	**₱21,173,304**	₱19,780,636
After one year but not more than five years	**68,473,093**	76,336,673
More than five years	**48,469,118**	49,988,453
	₱138,115,515	₱146,105,762

12. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances to suppliers and contractors (Note 9)	**₱464,303,562**	₱1,581,931,705
Deferred input VAT	**678,797,795**	724,638,389
Input VAT - net (Note 9)	**27,698,588**	211,441,834
Claims for refunds and tax credits	–	77,841,478
Computer software	**9,620,423**	15,802,660
Others (Notes 30 and 31)	**23,014,762**	16,407,100
	1,203,435,130	2,628,063,166
Less current portion of (Note 9):		
Advances to suppliers	**161,753,032**	555,780,413
Input VAT – net	–	206,301,898
	161,753,032	762,082,311
	₱1,041,682,098	₱1,865,980,855

Advances to suppliers and contractors
Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of property, plant and equipment.

Deferred input VAT
Deferred input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is shorter. The balance is recoverable in future periods

Input VAT - net
Noncurrent portion of input VAT includes deferred input VAT, which is the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is shorter. The balance, net of the related allowance, is recoverable in future periods.

Claims for refunds and tax credits
This amount pertains to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT-exempt coal sales which were ruled by the Supreme Court in favor of the Group. In 2020 and 2019, the Group received the refund from BIR amounting to

₱77.25 million and ₱97.96 million, respectively, related to these claims. The balance as of December 31, 2020 and 2019 is presented net of previously recognized allowance for impairment losses amounting to ₱15.29 million.

Computer software
Movements in computer software account follow:

	2020	2019
At Cost		
At January 1	**₱74,042,085**	₱63,716,032
Additions	**4,562,479**	10,326,053
At December 31	**78,604,564**	74,042,085
Accumulated Amortization		
At January 1	**58,239,425**	46,662,556
Amortization (Note 10)	**10,744,716**	11,576,869
At December 31	**68,984,141**	58,239,425
Net Book Value	**₱9,620,423**	₱15,802,660

13. Short-term Loans

Rollforward analyses of this account are as follows:

	2020	2019
Balance at beginning of year	**₱2,070,000,000**	₱5,872,231,984
Additional borrowings	**3,580,000,000**	2,070,000,000
Payments	**(225,000,000)**	(5,872,231,984)
Balance at end of year	**₱5,425,000,000**	₱2,070,000,000

The Group's bank loans consist of unsecured Peso-denominated short-term borrowings from local banks which bear annual interest ranging from 4.25% to 4.50% and 4.95% in 2020 and 2019, respectively, and are payable on lump-sum basis on various maturity dates within the next 12 months after the reporting date.

During 2020 and 2019, the Group obtained various short-term loans from local banks primarily to finance its capital expenditures and working capital requirements.

Interest expense on these short-term loans recognized under 'Finance costs' amounted to ₱318.75 million, ₱582.21 million and ₱52.17 million in 2020, 2019 and 2018, respectively (see Note 23).

14. Long-term Debt

This account consists of:

	2020	2019
Principal	**₱14,522,485,714**	₱16,600,000,000
Less unamortized deferred financing cost	**73,413,900**	72,964,996
	14,449,071,814	16,527,035,004
Less current portion of long-term debt	**2,775,355,754**	3,459,433,544
	₱11,673,716,060	₱13,067,601,460

The Group's outstanding long-term debt from local banks pertain to the following:

	2020	2019
SMPC	**₱3,853,255,055**	₱4,900,000,000
SCPC	**7,273,956,008**	7,656,259,870
SLPGC	**3,321,860,751**	3,970,775,134
	14,449,071,814	16,527,035,004
Less current portion	**2,775,355,754**	3,459,433,544
	₱11,673,716,060	₱13,067,601,460

a. Details of the Parent Company's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance 2020	Outstanding Balance 2019	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 2	2020	**₱2,475,000,000**	₱2,750,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 years	Interest payable every 3 months, principal to be paid every 3 months	None
Peso loan 1	2020	**1,400,000,000**	–	Various maturities from 2020 to 2027	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one half of one percent (0.5%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 3	2017	**–**	1,400,000,000	2020	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one half of one percent (0.5%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 4	2017	**₱–**	₱750,000,000	2020	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	None
		₱3,875,000,000	₱4,900,000,000				

b. On November 28, 2019, November 29, 2019 and December 20, 2019, SLPGC availed of interest-bearing promissory notes with local banks amounting to ₱1,000 million, ₱2,000 million and ₱1,000 million, respectively. Interest is payable every three months at a fixed annual interest rate of 5.133%, 5.125% and 5.00% per annum, respectively. The principal amounts shall be payable from 17 to 20 equal consecutive quarterly installments with commencement ranging from the third month to one year from the initial borrowing date. Final repayment date is five (5) years after initial borrowing. All outstanding bank loans are clean and are compliant with loan covenants.

c. Details of SCPC's loans are as follows:

- *Promissory Note of ₱3,000.00 million*
  On December 22, 2017, SCPC entered into a ₱3,000.00 million interest-bearing promissory note from a local bank. Interest is payable every three (3) months at a fixed annual interest rate of 4.9% per annum. The principal amount shall be payable in 16 equal consecutive quarterly installments commencing on the 39th month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. This loan requires SCPC to maintain debt to equity ratio of 2.0x and minimum historical debt service coverage ratio of 1.2x, among others.

- *Promissory Note of ₱2,000.00 million*
  On November 18, 2019, SCPC obtained a ₱2,000.00 million interest-bearing promissory note from a local bank. Interest is payable every three (3) months at 4.876% fixed annual interest rate for five (5) years to be repriced at the two (2)-year BVAL benchmark rate, plus 60 basis points for the remainder of its tenor. The principal amount shall be payable in 28 equal consecutive quarterly installments commencing on the third month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

- *Promissory Note of ₱2,700.00 million*
  On November 28, 2019, SCPC obtained a ₱2,700.00 million interest-bearing promissory note from Bank of the Philippine Islands. Interest is payable every three months at 4.877% fixed annual interest rate for five (5) years to be repriced at the two (2)-year BVAL benchmark rate plus 60 basis points for the remainder of its tenor. The principal amount shall be payable in 25 equal consecutive quarterly installments commencing on the 12th month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

All bank loans are clean and are compliant with loan covenants. As of December 31, 2020 and 2019, the Group has not been cited by bank as in default.

The movements in unamortized debt issue cost follow:

	2020	2019
Balance at beginning of year	**₱72,964,996**	₱22,552,758
Additions	**31,125,000**	65,250,000
Amortization (Note 23)	**(30,676,096)**	(14,837,762)
Balance at end of year	**₱73,413,900**	₱72,964,996

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱668.08 million, ₱538.20 million and ₱717.64 million in 2020, 2019 and 2018, respectively (see Note 23).

The Group's remaining borrowing facility that can be drawn as of December 31, 2020 and 2019 amounted to ₱14,332.52 million and ₱39,616.27 million, respectively.

Future payments of long-term debt of the Group as of December 31, 2020 and 2019 follow:

	2020	2019
Within one year	**₱2,775,355,754**	₱3,459,433,544
After one year but not more than five years	**10,402,837,534**	11,222,748,537
More than five years	**1,270,878,526**	1,844,852,923
	₱14,449,071,814	₱16,527,035,004

15. Trade and Other Payables

This account consists of:

	2020	2019
Trade:		
Payable to suppliers and contractors	**₱5,487,316,397**	₱5,747,420,342
Related parties (Note 19)	**510,862,019**	551,694,807
Payable to DOE and local government units (LGU) (Note 28)	**1,034,079,245**	855,901,861
Accrued expenses and other payables	**503,403,757**	669,752,488
Output VAT - net	**530,496,765**	79,032,001
Deferred output tax	**240,717,100**	547,291,546
	₱8,306,875,283	₱8,451,093,045

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arise from progress billings of completed work as of year-end. The amount includes liabilities amounting to ₱2,243.37 million (US$46.71 million) and ₱2,280.32 million (US$45.03 million) as of December 31, 2020 and 2019, respectively, payable to various foreign suppliers for open account purchases of equipment, and equipment parts and supplies (see Note 30).

Trade payables are noninterest-bearing and are normally settled on 30-day to 60-day credit terms.

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross income of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 (see Note 28).

Output VAT - net
Output VAT pertains to the VAT due on the sale of electricity, net of input VAT.

Deferred output tax
Deferred output tax pertains to VAT due on uncollected sale of electricity.

Accrued expenses and other payables
Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30-day to 60-day credit terms from date of invoice (except, dividends payable). Details of this account follow:

	2020	2019
Taxes, permits and licenses	**₱243,230,122**	₱407,490,743
Financial benefit payable	**87,509,694**	32,474,788
Interest	**83,734,468**	56,435,200
Customer deposit	**32,192,515**	32,124,013
Salaries and wages	**6,021,525**	28,410,263
Professional fees	**1,195,040**	8,355,648
Rental	**–**	2,240,000
Power spot purchases	**677,292**	677,292
Others	**48,843,101**	101,544,541
	₱503,403,757	₱669,752,488

Others include accruals on contracted services, utilities, supplies and other administrative expenses. This account also includes dividends payable amounting to ₱1.20 million and ₱1.22 million as of December 31, 2020 and 2019, respectively (see Note 32).

16. Provision for Decommissioning and Site Rehabilitation Costs

The rollforward of this account follows:

	2020	2019
At January 1	**₱522,804,859**	₱423,397,560
Effect of change in estimates (Note 10)	**(267,884,423)**	83,721,667
Actual usage	**–**	(14,543,926)
Accretion of interest (Note 23)	**24,282,185**	30,229,558
At December 31	**₱279,202,621**	₱522,804,859

The Group's provision for decommissioning and site rehabilitation costs relates to rehabilitation activities for the coal pits for its mining segment and dismantling and restoration activities for its power segment. Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2020	2019
Mining	**₱254,525,083**	₱500,085,766
Power	**24,677,538**	22,719,093
	₱279,202,621	₱522,804,859

These provisions have been created based on the Group's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions (see Note 3).

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 2.99% to 4.48% in 2020, 4.46% to 8.58% in 2019 and 7.07% to 7.27% in 2018.

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to (₱267.88 million) and ₱83.72 million (recognized as adjustment to 'Mine properties, mining tools and other equipment' under property, plant and equipment account) in 2020 and 2019, respectively (see Note 10).

17. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2020 and 2019 are as follows:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	₱4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

On November 28, 1983, the SEC approved the issuance and public offering of 55,000.00 million common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1,000.00 million to ₱3,000.00 million divided into 3,000.00 million common shares with a par value of ₱1 per share.

On August 18, 2017, the SEC approved the increase in authorized capital stock of the Parent Company from ₱3,000.00 million to ₱10,000.00 million divided into 10,000.00 million common shares with a par value of ₱1 per share.

Treasury shares

On December 7, 2017, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 2,000 million shares (or equivalent amount of ₱2,000.00 million) beginning December 8, 2017.

As of December 31, 2020 and 2019, the Parent Company has bought-back a total of 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the consolidated statements of financial position.

The unappropriated retained earnings amounting to ₱5,947.22 million and ₱7,899.81 million as of December 31, 2020 and 2019, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, the undistributed earnings of the subsidiaries and joint venture (see Note 18).

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	January 12, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		May 5, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	1,068,750,000			677
Add: Movement	(3,463,570)		August 15, 2017	16
December 31, 2016	1,065,286,430			693
Add: Stock dividends	3,195,859,290		May 2, 2017	–
Add: Movement	(2,735,100)		December 7, 2018	1
December 31, 2017	4,258,410,620			694
Add: Movement	(7,863,000)		December 7, 2018	15
December 31, 2018	4,250,547,620			709
Add: Movement	–			22
December 31, 2019	4,250,547,620			731
Add: Movement	–			–
December 31, 2020	4,250,547,620			731

18. Retained Earnings

As of December 31, 2020, and 2019, retained earnings amounted to ₱32,107.24 million and ₱34,133.68 million, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective subsidiaries. The retained earnings is also restricted to the extent of the cost of the treasury shares (see Note 17).

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to ₱14,328.93 million and ₱14,288.07, respectively.

Cash Dividends

On February 28, 2020, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of March 13, 2020 and payable on March 27, 2020.

On March 18, 2019, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of April 2, 2019. The said cash dividends were paid on April 26, 2019.

On November 7, 2018, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.00 per share or ₱4,250.55 million to stockholders of record as of November 21, 2018. The said cash dividends were paid on December 14, 2018.

On February 22, 2018, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.25 per share or ₱5,320.16 million to stockholders of record as of March 8, 2018. The said cash dividends were paid on March 22, 2018.

Appropriations

The remaining appropriations as of December 31, 2020 and 2019 amounting to ₱5,300.00 million were retained for the continuing capital expenditures for the coal mining operations and ongoing power plant expansion projects which are expected to be completed by 2023. This is after the reversal of ₱4,000.00 million, representing the costs of equipment procured for mine site operations in 2019. This also includes, the 2013 appropriations of ₱1,600.00 million and ₱700.00 million for the power generation and coal mining operations, respectively, retained for the continuing capital expenditure for the power and coal mining segment.

On February 23, 2017, the BOD approved the appropriation of ₱4,500.00 million from the unappropriated retained earnings as of December 31, 2016 for other investments of the Group. This appropriation is intended for the ongoing power capacity expansion project which are expected to be completed by 2023.

On November 8, 2016, the BOD approved the appropriation of ₱2,500.00 million from the unappropriated retained earnings as of December 31, 2015 as additional capital expenditure for the Phase 2 Power Plant expansion project of SRPGC which was initially expected to be completed in 2021 but has been moved to 2023.

On August 8, 2013, the BOD approved the appropriation of ₱1,600.00 million from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Group which are expected to be completed by 2021.

On March 12, 2013, the BOD of the Parent Company ratified the remaining ₱700.00 million appropriations to partially cover new capital expenditures for the Group's mine operations.

19. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates enumerated below which are under common control of DMCI-HI and Consunji family.

The significant transactions with related parties follow:

	2020				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	(a)	₱8,716440	₱38,709,058	Noninterest-bearing, due and demandable	Unsecured, no impairment
Sale of materials, services and reimbursement of shared expenses	(b)	24,278,037	268,703,762	Noninterest-bearing, due and demandable	Unsecured, no impairment
			₱307,412,820		
Trade payables (Note 15)					
Entities under common control					
Operation and maintenance fees	(c)	(₱23,055,378)	(₱3,747,060)	30 days, noninterest-bearing	
Coal handling services	(d)	91,459,312	(53,574,790)	30 days, noninterest-bearing	Unsecured
Mine exploration and hauling services	(e)	(128,030,141)	(128,030,141)	30 days, noninterest-bearing	Unsecured
Construction and other outside services	(f)	42,922,472	(297,028,036)	30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing	Unsecured
Retention payable		14,822,091	(51,835)	30 days, noninterest-bearing	Unsecured
Purchases of office supplies and refreshments	(g)	611,855	-	30 days, noninterest-bearing	Unsecured
Land and warehouse rental expenses	(h)	(425,657)	(832,859)	30 days, noninterest-bearing	Unsecured
Aviation services	(i)	(4,794,885)	(27,239,435)	30 days, noninterest-bearing	Unsecured
Arrastre and cargo services	(j)	-	-	30 days, noninterest-bearing	Unsecured
Others	(b)	(356,363)	(357,863)	30 days, noninterest-bearing	Unsecured
			(₱510,862,019)		

	2019				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	(a)	₱29,992,618	₱29,992,618	Noninterest-bearing, due and demandable	Unsecured, no impairment
Sale of materials, services and reimbursement of shared expenses	(b)	170,077,389	120,559,433	Noninterest-bearing, due and demandable	Unsecured, no impairment
			₱150,552,051		
Trade payables (Note 15)					
Entities under common control					
Operation and maintenance fees	(c)	(₱12,113,882)	(₱26,802,437)	30 days, noninterest-bearing	
Coal handling services	(d)	35,118,853	(145,034,102)	30 days, noninterest-bearing	Unsecured
Mine exploration and hauling services	(e)	(311,041,399)	–	30 days, noninterest-bearing	Unsecured

(Forward)

	2019				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Construction and other outside services	(f)	(₱201,208,133)	(₱339,950,509)	30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing	Unsecured
Retention payable		(52,894,815)	(14,822,091)	30 days, noninterest-bearing	Unsecured
Purchases of office supplies and refreshments	(g)	(734,678)	(611,855)	30 days, noninterest-bearing	Unsecured
Land and warehouse rental expenses	(h)	(13,646,093)	(407,202)	30 days, noninterest-bearing	Unsecured
Aviation services	(i)	(130,426,947)	(22,444,550)	30 days, noninterest-bearing	Unsecured
Arrastre and cargo services	(j)	–	(1,620,561)	30 days, noninterest-bearing	Unsecured
Others	(b)	–	(1,500)	30 days, noninterest-bearing	Unsecured
			(₱551,694,807)		

a. The Group has coal sales to DMCI Masbate Power Corporation (DMPC), an entity under common control of DMCI-HI.

b. The Group has receivables for services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

c. SCPC engaged DMCI Power Corporation (DPC) for the management, operation and maintenance of the power plant.

d. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). SLPGC and SCPC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. The agreement with SJBHI was terminated in 2020. Cost of coal handling services for SCPC and SLPGC are included in the 'Cost of power sales' (nil in 2020, see Note 21).

e. In 2019, DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under 'Outside services' in the consolidated statement of comprehensive income (nil in 2020, see Note 21).

   DMC-CERI operate, maintain and manage Parent Company's marine vessel for use in shiploading and delivery of coal to its various costumer. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under 'Hauling and shiploading costs' in the consolidated statement of comprehensive income (see Note 21).

   In 2020, marine vessels were sold to DMC-CERI with a total cost of ₱564.28 million. Gain recognized from this transaction amounted to ₱56.30 million (see Notes 10 and 25).

Effective 2018, the Parent Company amended its Operations and Maintenance agreement with DMC-CERI wherein, DMC-CERI will be credited for all the despatch for the early loading and unloading of coal cargos in the Semirara Port. In addition, demurrage charges shall be charged to the account of DMC-CERI or the customer on the basis of who is at fault to cause the laytime delay.

Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under 'Direct labor' in the consolidated statement of comprehensive income (see Note 21).

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

f. The Group contracted DMCI for the construction of its 1x 5 MW Power Plant located at Semirara Island and the construction of SLPGC's 2x150 MW coal-fired thermal power plants in Batangas. Other services include ongoing rehabilitation of existing power plant, and other constructions in compliance with its Corporate Social Responsibility (CSR) such as construction of covered tennis courts, track and field, perimeter fence and others.

   In addition, the Group have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

g. The Group engaged Sirawai Plywood & Lumber Corp. and South Davao Development Corporation to supply various raw materials, office supplies and refreshments.

h. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Group representing long-term lease on land, warehouse space and other transactions rendered to the Parent Company necessary for the coal operations. Warehouse rental expenses are included in cost of sales under 'Outside services' while rental expenses related to land are included in cost of sales under 'Depreciation and amortization' in the consolidated statement of comprehensive income (see Note 21).

i. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statement of comprehensive income (see Note 21).

j. In 2019, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services.

All outstanding balances from affiliates are included in receivables under 'Trade receivables - related parties' and 'Trade payables - related parties' in the consolidated statements of financial position (see Notes 5 and 15).

Terms and conditions of transactions with related parties
Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Group has approval process and established limits when entering into material related party transactions.

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December31, 2020 and 2019, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱66.96 million, ₱122.13 million and ₱255.96 million in 2020, 2019 and 2018, respectively.

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

20. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is for the year ended December 31, 2020.

The Group accrues retirement costs (included in 'Pension liabilities' in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2020, 2019 and 2018.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2020	2019	2018
Discount rate	**3.72% - 4.07%**	5.42% - 5.54%	7.53% - 7.70%
Salary increase rate	**3.00% - 6.00%**	3.00% - 6.00%	3.00% - 6.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years) for 2020 and 2019:

	2020	2019
Mining	**5.7 years**	4.6 years
Power	**8.6-15.1 years**	7.2-12.7 years

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2020	2019	2018
Current service cost	**₱54,382,566**	₱38,099,335	₱47,298,034
Interest expense related to the defined benefit liability	**23,339,604**	21,948,856	17,650,257
Interest income related to plan assets	**(6,833,040)**	(5,355,656)	(3,967,603)
	₱70,889,130	₱54,692,535	₱60,980,688

The above pension expense is included as 'Direct labor' under cost of sales and 'Personnel costs' under operating expenses in the consolidated statement of comprehensive income (see Notes 21 and 22).

The following tables provide analyses of the movement in the defined benefit liability, fair value plan assets and net pension liabilities recognized on consolidated statements of financial position:

	2020	2019
Defined benefit liability at beginning of year	**₱425,534,713**	₱285,553,528
Current service cost	**54,382,566**	38,099,335
Interest expense	**23,339,604**	21,948,856
Remeasurement losses arising from:		
Changes in financial assumptions	**59,066,951**	45,295,373
Experience adjustments	**(15,702,291)**	45,709,352
Benefits directly paid by the Group	**(13,348,477)**	(11,071,731)
Benefits paid from plan assets	**(6,789,263)**	–
Defined benefit liability at end of year	**₱526,483,803**	₱425,534,713

	2020	2019
Fair value of plan assets at beginning of year	**₱127,037,944**	₱69,553,974
Interest income	**6,833,040**	5,355,656
Benefits paid from plan assets	**(6,789,263)**	–
Contributions	**–**	54,000,000
Remeasurement losses arising from return on plan assets	**(1,886,525)**	(1,871,686)
Fair value of plan assets at end of year	**₱125,195,196**	₱127,037,944

	2020	2019
Net pension liability at beginning of year	**₱294,753,397**	₱215,999,554
Net pension expense	**70,889,130**	54,692,535
Actuarial losses recognized in OCI	**45,251,186**	89,133,039
Contributions	**–**	(54,000,000)
Benefit directly paid by the Group	**(13,348,477)**	(11,071,731)
Net pension liability at end of year	**₱397,545,236**	₱294,753,397

The Group does not expect any contribution into the pension fund for the next 12 months.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2020	2019
Cash and cash equivalents	**₱–**	₱56,690,623
Equity instruments		
Financial institutions	**54,309,015**	1,650,991
Real estate	**–**	–
Debt instruments		
Government securities	**58,935,219**	59,147,376
Unquoted debt securities	**10,789,072**	8,896,349
Receivables	**1,161,890**	652,605
	₱125,195,196	₱127,037,944

Trust fee in 2020 and 2019 amounted to ₱33,464 and ₱35,887 respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas.
- *Investment in equity securities* - includes investment in common and preferred shares of financial institutions traded in the Philippine Stock Exchange.
- *Investment in debt securities - government securities* - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.
- *Investments in unquoted debt securities* - include investment in long-term debt notes and retail bonds.
- *Receivables* - pertain to interest and dividends receivable on the investments in the fund.

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 56% and 47% of debt instruments, 0% and 45% of cash and cash equivalents, 43% and 1% of equity instruments and 1% and 7% of others for 2020 and 2019, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Effect on Defined Benefit Liability	
	Increase (Decrease)	**2020**	2019
Discount rates	+1%	**(₱36,128,233)**	(₱22,611,988)
	-1%	**42,488,899**	25,979,165
Future salary increases	+1%	**41,861,319**	26,100,560
	-1%	**(36,343,135)**	(23,132,699)

Shown below is the maturity analysis of the undiscounted benefit payment up to 10 years:

	2020	2019
Less than 1 year	**₱198,723,961**	₱177,397,851
More than 1 year to 5 years	**127,965,726**	138,197,252
More than 5 years to 10 years	**203,005,983**	202,158,634
	₱529,695,670	₱517,753,737

The Group has no other transactions with the fund.

21. Cost of Sales

Cost of coal sales consists of:

	2020	2019	2018
Cost of coal (Note 7)			
Materials and supplies (Note 19)	**₱3,763,516,229**	₱5,112,461,962	₱2,754,257,594
Fuel and lubricants	**3,204,687,126**	4,831,590,762	3,341,535,352
Depreciation and amortization (Notes 10, 11 and 12)	**2,642,045,362**	3,461,657,292	3,276,055,748
Direct labor (Notes 19 and 20)	**1,107,658,868**	1,364,754,071	856,743,901

(Forward)

	2020	2019	2018
Production overhead (Note 19)	**₱580,140,429**	₱1,593,169,230	₱1,046,686,558
Outside services (Note 19)	**542,297,370**	1,211,178,162	526,404,379
Provision for decommissioning and site rehabilitation costs (Note 16)	**–**	–	436,522,946
	11,840,345,384	17,574,811,479	12,238,206,478
Hauling and shiploading costs (Notes 10 and 19)	**439,966,574**	208,974,190	23,877,634
	₱12,280,311,958	₱17,783,785,669	₱12,262,084,112

Cost of power sales consists of:

	2020	2019	2018
Coal	**₱3,936,553,761**	₱2,947,448,354	₱4,321,480,004
Depreciation and amortization (Note 10)	**2,871,506,678**	2,483,914,467	2,444,928,202
Energy spot purchases	**411,055,081**	2,790,441,203	1,203,199,309
Diesel	**46,426,387**	190,885,580	164,674,176
Bunker	**39,740,981**	97,391,081	58,678,806
Market fees	**31,054,721**	31,233,740	55,504,243
Lube	**24,509,295**	29,791,624	37,695,635
Coal handling expense (Note 19)	**–**	217,012,723	278,321,004
Others	**58,258,633**	75,254,559	17,604,798
	₱7,419,105,537	₱8,863,373,331	₱8,582,086,177

The cost of coal on power sales consists of:

	2020	2019	2018
Materials and supplies (Note 19)	**₱1,309,162,437**	₱946,901,917	₱1,131,940,919
Fuel and lubricants	**1,114,770,271**	894,880,508	1,373,299,507
Depreciation and amortization (Notes 10 and 12)	**519,986,937**	298,030,756	752,611,208
Direct labor (Notes 19 and 20)	**385,306,000**	252,772,198	352,103,405
Hauling and shiploading costs (Note 19)	**213,958,565**	34,791,561	7,571,574
Production overhead	**201,805,442**	295,077,990	430,165,773
Outside services (Note 19)	**191,564,109**	224,993,424	273,787,618
	₱3,936,553,761	₱2,947,448,354	₱4,321,480,004

22. Operating Expenses

	2020	2019	2018
Government share (Note 28)	**₱1,813,594,427**	₱3,927,055,360	₱3,569,015,013
Taxes and licenses	**552,966,795**	627,723,116	609,610,558
Personnel costs (Notes 19 and 20)	**508,983,157**	522,233,324	476,886,202
Operation and maintenance (Note 19)	**415,104,047**	455,298,286	418,287,094
Repairs and maintenance	**283,240,150**	249,052,444	402,427,446
Insurance and bonds	**257,761,191**	349,514,794	161,958,470
Depreciation and amortization (Notes 3, 10 and 11)	**194,002,240**	643,580,370	1,288,048,897
Write-down of property, plant and equipment (Notes 3 and 10)	**157,196,754**	83,535,586	–
Office expenses (Note 19)	**110,296,868**	140,504,952	252,947,300
Professional fees	**71,194,050**	82,956,495	91,302,820
Entertainment, amusement and recreation	**36,940,602**	37,704,730	73,506,431
Transportation and travel	**14,226,265**	25,533,655	25,685,337
Marketing	**2,591,716**	6,821,665	5,424,720
Provision for impairment losses (Notes 5 and 9)	**–**	82,939,079	25,330,965
Others (Notes 7, 8 and 10)	**135,963,454**	130,467,320	375,364,074
	₱4,554,061,716	₱7,364,921,176	₱7,775,795,327

In 2020, 2019 and 2018, the Group recorded accelerated depreciation for its power generation units amounting to ₱101.23 million, ₱549.95 million and ₱1,210.10 million, respectively, due to planned rehabilitation of the Group's coal-fired power plants in Calaca, Batangas.

Others pertain to various expenses such as advertising, utilities, Parent Company's equity in net earnings (losses) of SRPGC, information and communications technology (ICT) charges and other contracted services.

23. Finance Costs

	2020	2019	2018
Interest on:			
Long-term debt (Note 14)	**₱668,081,709**	₱538,199,923	₱717,642,152
Short-term loans (Note 13)	**318,752,682**	582,205,604	52,168,582
Accretion of provision for decommissioning and site rehabilitation costs (Note 16)	**24,282,185**	30,229,558	97,693,062
Lease liabilities (Note 11)	**7,850,348**	6,620,167	–
Amortization of debt issuance cost (Note 14)	**30,676,096**	14,837,763	11,095,035
Bank charges	**45,177,531**	144,774,497	64,336,144
	₱1,094,820,551	₱1,316,867,512	₱1,018,966,924

24. Finance Income

	2020	2019	2018
Interest on:			
Cash in banks (Note 4)	**₱6,078,596**	₱5,057,250	₱27,277,723
Cash equivalents (Note 4)	**39,548,131**	76,183,958	101,375,339
Others	**246,212**	201,741,824	515,305
	₱45,872,939	₱282,983,032	₱129,168,367

Others in 2019 includes interest income collected by SCPC in relation to the claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) for the recovery of amounts charged and withheld by PSALM for spot purchases of SCPC in connection with NPC's over nomination of bilateral contracted capacity to a distribution utility company for the period January to June 2010.

25. Other Income (Charges)

	2020	2019	2018
Sale of fly ash (Note 29)	**₱180,213,166**	₱166,120,069	₱189,761,785
Gain (loss) on sale of equipment - net (Note 10)	**67,002,889**	(10,632,904)	22,683,458
Gain (loss) on financial asset at FVPL (Note 6)	**–**	(643,476,025)	91,593,548
Gain on pre-termination of option contract (Note 6)	**37,238,898**	–	–
Recoveries from insurance claims and claims from third party settlement (Notes 5 and 29)	**–**	668,393,238	287,765,808
Miscellaneous	**32,264,656**	5,794,226	16,607,255
	₱316,719,609	₱186,198,604	₱608,411,854

Recoveries from insurance claims and claims from third party settlement
Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment that were damaged. In 2019 and 2018 (nil in 2020), the Group received insurance claims amounting to ₱699.69 million (inclusive of ₱7.62 million accrued as of December 31, 2018) and ₱476.14 million, respectively, to cover the cost of repair for the unplanned shutdown of Unit 3 of SLPGC's 2x150 MW coal-fired power plant. The amount of other income recognized from the insurance claims is net of related cost of repairs amounting to ₱23.69 million and ₱250.77 million in 2019 and 2018, respectively.

Gain (loss) on financial asset at FVPL
Net gain on financial asset at FVPL related to the fair value gain on the option contract with a retail electricity supplier. This includes realized loss of ₱398.03 million in 2019 and realized gain of ₱65.82 million and ₱36.60 million in 2018 (see Note 6).

Miscellaneous
Miscellaneous pertains to the one-time payment received from AC Energy Inc. related to the new Power Supply Agreement entered on March 26, 2020 and sale of sample products for its claystone business.

26. Income Tax

The provision for (benefit from) income tax consists of:

	2020	2019	2018
Current	**₱78,606,899**	₱137,373,974	₱704,272,857
Final	**7,460,349**	16,228,957	24,815,699
Deferred	**46,530,509**	(448,728,617)	412,402
	₱132,597,757	(₱295,125,686)	₱729,500,958

The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**1.83**	0.56	0.29
Nondeductible interest expense	**0.17**	0.10	0.02
Movement in unrecognized deferred tax assets	**(1.31)**	(0.16)	0.24
Interest income already subject to final tax at a lower rate	**(0.17)**	(0.09)	(0.11)
Tax-exempt income	**(26.66)**	(33.56)	(24.72)
Effective income tax rate	**3.86%**	(3.15%)	5.72

The components of net deferred tax assets as of December 31, 2020 and 2019 follow:

	2020	2019
Deferred tax assets (liabilities) on:		
Allowance for expected credit losses and impairment losses	**₱510,416,398**	₱510,416,398
NOLCO	**192,787,790**	194,128,332
Accrual of pension obligation	**99,169,806**	104,636,520
Allowance for inventory obsolescence	**20,218,166**	20,218,166
Provision for decommissioning and site rehabilitation	**5,394,890**	4,791,123
Unrealized foreign exchange loss – net	**10,621,301**	41,767,971
Others	**16,388,187**	12,222,552
	₱854,996,538	₱888,181,062

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2020	2019
NOLCO	**₱–**	₱418,554
Allowance for impairment losses	**157,196,754**	156,068,023
	₱157,196,754	₱156,486,577

Rollforward analysis of the Group's NOLCO follows:

	2020	2019
Balance at beginning of year	₱647,512,994	₱1,809,786,446
Addition	–	647,094,440
Expiration	(4,887,027)	(1,809,367,892)
Balance at the end of year	₱642,625,967	₱647,512,994

The Group did not recognize deferred tax assets on NOLCO incurred in 2017 amounting to ₱0.42 million which will expire by 2020.

Board of Investments (BOI) Incentives

Parent Company

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2016-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificates of Registration, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra minesite and Molave minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three (3) years of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-

EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 2012-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

The Parent Company availed of incentive in the form of ITH on its income under registered activities amounting to ₱978.86 million, ₱2,323.04 million and ₱3,060.71 million in 2020, 2019 and 2018, respectively.

SLPGC
On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH.

c. Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond.

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and,

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW coal-fired power plant citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015, the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one (1) year. The BOI may also grant a second request for deferment for six (6) months provided that the reason for the second request is different from the first. However, failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter, SLPGC formally requested the BOI for extension of the reckoning period of ITH for the six (6) months or up to June 2016.

On June 29, 2016, the BOI granted the request for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. On February 5, 2020, the BOI approved SLPGC's application for extension of ITH incentives for one (1) year for the period of January 1, 2020 to December 31, 2020, using the Indigenous Raw Material criterion pursuant to Executive Order No. 226.

In 2020, SLPGC postponed the availment of the extended period of ITH.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%;
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and,
- Improperly accumulated earnings tax of 10% will be repealed.

The RCIT and MCIT applied in the preparation of the consolidated financial statements as at and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the balance sheet date will be considered as reversal of accrual in 2021.

27. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2020	2019	2018
Net income	**₱3,286,749,412**	₱9,678,790,811	₱12,025,381,058
Divided by the weighted average number of common shares outstanding	**4,250,547,620**	4,250,547,620	4,250,547,620
Basic/diluted earnings per share	**₱0.77**	₱2.28	₱2.83

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

28. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the COC was amended relinquishing the contract areas in Caluya and Sibay Islands, Antique. The contract areas under the COC was re-configured with an area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Parent Company.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

Royalty dues for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1,813.59 million, ₱3,927.06 million and ₱3,569.02 million in 2020, 2019 and 2018, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 22). Payable to DOE and LGU, amounting to ₱1,034.08 million and ₱855.90 million as of December 31, 2020 and 2019, respectively, are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 15).

29. Contingencies and Commitments

SCPC

a. Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW MERALCO allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC wrote-off the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income - net' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC 10 days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit (COA) to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

On July 18, 2017, the ERC issued an Order granting PSALM's Motion for Reconsideration (MR) and setting aside its Order dated June 23, 2014. In the said Order, the ERC stated that the grant of PSALM's motion is without prejudice to the filing of SCPC of the appropriate money claims with COA.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines

Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order (TRO) and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012.

Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court (Court).

Subsequently the Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of 10 days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

On December 16, 2016, the Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.

On February 22, 2017, due to the denial with finality of PSALM's Motion for Reconsideration by the Supreme Court, the Company filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. The Company prayed that that the MR be denied and a writ of execution be issued in favor of the Company.

Petition for Money Claim versus PSALM before the Commission on Audit (COA)

On November 27, 2017, SCPC filed before the COA a Petition for Money Claim against PSALM for the enforcement of the Decision dated July 6, 2011 and Order dated February 13, 2012 issued by the ERC in ERC Case No. 2010-058MC, as affirmed by the Court of Appeals in its Decision dated September 4, 2012 in CA-C.R. No. 123997, and by the Supreme Court in its Decision dated December 5, 2017 in G.R. No. 204719.

On December 11, 2017, SCPC received a copy of the Order dated November 29, 2017 issued by COA directing PSALM to submit its answer to SCPC's Petition dated November 27, 2017 within 15 days from receipt thereof. Upon confirmation from the Philippine Post Office - Quezon City, PSALM received a copy of the foregoing Order on December 14, 2017. Hence, PSALM has until December 29, 2017 within which to file its answer.

As of December 31, 2017, since this case involves issues which have been settled by no less than the Supreme Court in a final and executory judgment, i.e., PSALM's liability in the principal amount of ₱476.70 million inclusive of VAT, the recovery of SCPC's money claim is certain. The filing of Petition with COA is for the purpose of executing the money judgment since the ERC refused to execute the same based on the rule that all money claims against the government must first be filed with the COA.

On February 7, 2018, SCPC filed with COA a Motion to Declare Respondent PSALM Corporation in Default in view of PSALM's failure to file Answer within the period provided by COA in the Order dated November 29, 2017. However, on February 15, 2018, SCPC received a copy of PSALM's Motion to Admit Attached Answer with Answer both dated February 12,

2018. In its Answer, PSALM confirmed that it had not made any payments in connection with the ERC Decision dated July 6, 2011 but contended that SCPC's prayer for payment of interest should be denied because allegedly, SCPC's Petition dated November 27, 2017 and the ERC decision failed to state as to when the interest should be counted from. On March 1, 2018, SCPC filed its Reply to PSALM's Answer and refuted PSALM's claim regarding imposition of interest.

On November 29, 2018, SCPC filed an Urgent Motion for Resolution with the COA praying for immediate resolution of the case. On December 14, 2018, PSALM filed its Comment to SCPC Urgent Motion for Resolution raising the same arguments raised in its Answer. On January 4, 2018, SCPC filed its Reply to PSALM's Comment to the Urgent Motion for Resolution.

On April 22, 2019, the COA issued its decision granting SCPC's money claim in the amount of ₱476.70 million, plus 6% interest. On June 28, 2019, PSALM paid the said amount in favor of SCPC (see Note 24).

b. Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO which took effect on December 26, 2011 and shall have a term of seven (7) years, extendable upon mutual agreement by the parties for another three (3) years. Based on this agreement, SCPC shall provide MERALCO with an initial contracted capacity of 210MW and shall be increased to 420MW upon commercial operation of the plant's Unit 1. Commercial operation of plant's Unit 1 started in June 2013.

On March 12, 2012, MERALCO filed an application for the Approval of the PSA between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the ERC issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M (FOM) fee of ₱4,785.12/kW per year. On February 8, 2013, MERALCO filed its Supplemental Motion for Partial Reconsideration with Motion for Clarification (Supplemental Motion) to include the recovery of cost of diesel not as part of the variable O&M Fee.

On May 2, 2018, the ERC issued an Order of even date, requiring submission of documentary requirements to support its Motion for Partial Reconsideration and the Supplemental Motion. On May 23, 2018, SCPC submitted its Compliance with Motion for Early Resolution to the ERC. On May 29, 2018, SCPC received an Order from the ERC allowing recovery of the cost of diesel during Power Plant's Startup and Shutdown under Reimbursable Cost but deferred MERALCO's prayer to adjust the approved FOM fee of ₱4,785.12/kW-Year to ₱4,977.45/kW-Year.

On July 17, 2018, further to ERC Order dated May 29, 2018, SCPC issued a Debit Memo to MERALCO and MERALCO RES in the amounts of ₱1,170.44 million and ₱407.46 million, respectively.

On August 20, 2018, SCPC received a copy of MERALCO's Motion for Clarification with Manifestation seeking to clarify the details of the approved components of the FOM fee, including the amounts pertaining to diesel and bunker oil. MERALCO also sought to clarify that the ERC grant of the Power Plant's Startup and Shutdown under Reimbursable Cost refers to Component E of the Payment Structure discussed in Appendix E of the PSA to avert any erroneous/invalid billing from SCPC regarding Reimbursable Costs. On August 30, 2019 MERALCO filed with the ERC its Urgent Motion for Resolution of its earlier Motion for Clarification with Manifestation.

As of March 3, 2021, ERC has yet to resolve the pending motions filed by MERALCO.

c. *Power Supply Agreement with MERALCO RES*

On May 5, 2017, SCPC entered into a new power supply agreement with MPower, MERALCO's local retail electricity supply business segment which will take effect on June 26, 2019 with a term of 10 years, extendable upon mutual agreement for another four (4) years. On February 24, 2020, SCPC and MPower amended the agreement, shortening the term until October 25, 2021 and reducing the contract capacity of 170MW until the end of the term.

d. *Dispute Resolution Proceedings with MERALCO (Line Loss Rental)*

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the ERC against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder.

The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of March 3, 2021, the Joint Motion to Dismiss has yet to be resolved.

e. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including Philippine Electricity Market Corporation (PEMC), the operator of the WESM, as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Distribution Utilities (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 months from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

On December 14, 2017, SCPC received Meralco's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8 and 12, 2017, respectively. Likewise, SCPC received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

On July 30, 2018, SCPC filed its Consolidated Comment on MERALCO's and ERC's Motion for Reconsideration. On November 29, 2018, the CA directed SCPC to comment on the Motion for Leave to Intervene and to Admit Motion for Reconsideration in Intervention of the CA's decision filed by movant-intervenors PRHC Property Managers Inc. and the Philippine Stock Exchange Centre Condominium Corporation. On December 2018, SCPC instead submitted a Manifestation in lieu of a comment since the grounds relied upon by the movants are similar to the grounds to the other movants already addressed by SCPC in its Consolidated Comment and duly passed upon by the CA in its Resolution dated March 22, 2018.

As of March 3, 2021, the CA has yet to resolve ERC and MERALCO'S Motion for Reconsideration.

f. Land Lease Agreement with PSALM

SCPC entered into an LLA with PSALM for the lease of land in which its plant is situated, for a period of 25 years, renewable for another 25 years, with the mutual agreement of both parties.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease.

In the event that the lessor issues an OEN and SCPC buys the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million (or ₱14.72 million), exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company (SMPC). On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of 'Property, plant and equipment. The 82,740 sqm lot was later assigned to and purchased by SLPGC.

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of CTS between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM's Board approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets. On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On September 24, 2019, PSALM informed SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN. On December 3, 2020, PSALM replied addressing SCPC's clarifications.

As of March 3, 2021 , SCPC is still evaluating its position on whether to proceed with the purchase taking into considerations the status of the lots and its current zonal valuations.

Foreshore lease
On April 2009, NPC and the Department of Environment and Natural Resources – Community Environment and Natural Resources Office (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI Holdings, Inc. (DHI) won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which SCPC unconditionally agrees to assume all rights and obligations under the Foreshore Lease Contract. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029.

g. *Contract for the Fly Ash of the Power Plant*

After the expiration of the old Pozzolanic contract with NPC, which was inherited by SCPC, as new owner, sealed a new contract on April 30, 2012 with Pozzolanic, effective for a period of 15 years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase 100% percent of fly ashes produced or generated by the Power Plant.

On February 24, 2015, SLPGC, owner of the 2x150 MW CFB Power Plant and Transpacific Resource Recovery Inc. executed a Contract for CFB fly ash valid until January 31, 2027.

SLPGC

a. *Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and SLPGC, with Prayer for the Issuance of Provisional Authority*

On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.

Both SLPGC and NGCP filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.

On May 21, 2019, SLPGC received the ERC Order dated May 20, 2019 granting interim relief in favor of SLPGC and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of the ancillary gas turbine.

On June 6, 2019, SLPGC filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019, praying for the recovery of the cost of Pmin capacity of ancillary gas turbine. On September 5, 2019, the ERC resolved to deny SLPGC's Motion for Partial Reconsideration with Manifestation for lack of merit.

On November 19, 2019, SLPGC and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of March 3, 2021, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by SLPGC and NGCP. While no supply agreement has been secured yet, the plant is being used by SLPGC for electricity generation and sale through WESM (see Note 10).

SMPC

a. *Effectivity of Revenue Regulations (RR) 1-2018*

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, SMPC requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to SMPC under the terms and conditions of its Coal Operating Contract (COC) with the Department of Energy. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying SMPC as merely a collecting agent (SMPC collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of coal export sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that SMPC is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from SMPC, if any, are uncertain as of December 31, 2020 and 2019 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. DOE Resolution on Violation of Accreditation of Coal Traders

On May 23, 2019, the trial shipment of 4,768.737 MT of SMPC was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, SMPC received an Order dated June 4, 2019 from the DOE directing SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

On July 5, 2019, SMPC filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, SMPC wrote the DOE requesting deferment of the that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. SMPC to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. SMPC should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, SMPC received the DOE Resolution dated 15 October 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to SMPC owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by SMPC.

On January 3, 2020, SMPC received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO. SMPC filed the said paper on January 10, 2020.

As of March 3, 2021, the case is presently pending for decision with the DOE.

d. DOE Suspension of Mining Activities

On October 2, 2019, a mudflow incident in the Molave Pit South Wall transpired. On October 11, 2019, SMPC submitted to the DOE its Final Report on said incident.

Thereafter, on November 19, 2019, the DOE issued an Order dated November 14, 2019 suspending all mining activities at the site until compliance with certain conditions (hereafter "DOE Order").

In a series of submissions on November 25, 29 and December 6, 2019, SMPC submitted to the DOE a request to lift the suspension of mining operations and a list of compliances to the conditionalities required by the latter.

On December 26, 2019, the DOE, in a letter dated December 23, 2019, lifted the suspension order as SMPC substantially complied with the conditions for the lifting. As of December 31, 2019, all liquefiable materials in the concerned area have been removed and a Safety Consultant has been hired. Consequently, all mining operations at the mine site has resumed.

The Group is contingently liable with respect to certain assessments, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the assessments, lawsuits and claims.

30. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, receivables, and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans, lease liabilities, and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:
- Price risk - movement in one-year historical coal prices
- WESM price risk - movement of WESM price for energy
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2020 and 2019.

WESM Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic versus export). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long-term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin.

The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2020	2019
Domestic market	**24.96%**	21.46%
Export market	**75.04%**	78.54%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2020 and 2019 with all other variables held constant.

The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one (1)-year historical price movements in 2020 and 2019.

	Effect on income before income tax Increase (decrease)	
Change in coal price	**2020**	2019
Based on ending coal inventory		
Increase by 22% in 2020 and 27% in 2019	**₱501,215,811**	₱302,989,128
Decrease by 22% in 2020 and 27% in 2019	**(501,215,811)**	(302,989,128)
Based on coal sales volume		
Increase by 22% in 2020 and 27% in 2019	**₱4,745,718,121**	₱3,422,916,272
Decrease by 22% in 2020 and 27% in 2019	**(4,745,718,121)**	(3,422,916,272)

Price Risk

This is the risk relating to the movement of WESM and its impact to the derivatives arising from the Contract for Differences discussed in Note 6.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.75 in 2019 (nil in 2020), with all variables held constant of the Group's income before taxes (amounts in thousands).

	Movement in average WESM price	Increase (decrease) in financial assets at FVPL
2020	**+2%**	**(₱14,069,563)**
	-2%	**219,000**
2019	+2%	(₱1,069,563)
	-2%	219,000

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Philippine Peso-denominated and US$-denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

		2020					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	0.50% to 4.00%	₱8,080,535,922	₱–	₱–	₱–	₱–	₱8,080,535,922
Peso (PHP) long-term debt							
a. ₱3,000.00 million loan	Fixed annual interest rate of 4.9% per annum	747,253,960	748,007,198	748,700,005	749,486,037	–	2,993,447,200
b. ₱4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	827,050,882	829,203,986	831,460,819	834,145,064	–	3,321,860,751
c. ₱2,750.00 million loan	Floating rate to be repriced every 3 years	269,257,491	1,508,997,973	136,016,464	136,317,024	410,941,943	2,461,530,895
d. ₱1,400.00 million loan	Floating rate to be repriced every 3 months	221,653,357	222,014,512	222,395,026	222,792,205	502,869,060	1,391,724,160
e. ₱2,700.00 million loan	Fixed annual interest rate of 4.88% per annum	427,601,404	428,308,325	429,051,906	429,833,514	862,178,909	2,576,974,058
f. ₱2,000.00 million loan	Fixed annual interest rate of 4.88% per annum	282,538,660	283,054,936	283,598,096	284,169,044	570,174,014	1,703,534,750
		₱2,775,355,754	₱4,019,586,930	₱2,651,222,316	₱2,656,742,888	₱2,346,163,926	₱14,449,071,814

		2019					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	0.13% to 4.45%	₱6,452,904,714	₱–	₱–	₱–	₱–	₱6,452,904,714
Peso (PHP) long-term debt							
a. ₱1,400.00 million loan	Floating rate to be repriced every 3 months	1,400,000,000	–	–	–	–	1,400,000,000
b. ₱750.00 million loan	Floating rate to be repriced every 3 months	750,000,000	–	–	–	–	750,000,000
c. ₱2,750.00 million loan	Floating rate to be repriced every 3 years	275,000,000	275,000,000	1,512,500,000	137,500,000	550,000,000	2,750,000,000
d. ₱3,000.00 million loan	Fixed annual interest rate of 4.9% per annum	–	744,312,226	747,968,040	748,719,092	749,506,109	2,990,505,467
e. ₱4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	649,187,947	826,834,712	829,160,884	939,971,993	725,619,596	3,970,775,132
f. ₱2,700.00 million loan	Fixed annual interest rate of 4.88% per annum	104,330,139	428,824,374	429,340,650	429,883,811	1,293,200,201	2,685,579,175
g. ₱2,000.00 million loan	Fixed annual interest rate of 4.88% per annum	280,915,458	281,315,690	282,022,611	282,766,191	853,155,280	1,980,175,230
		₱3,459,433,544	₱2,556,287,002	₱3,800,992,185	₱2,538,841,087	₱4,171,481,186	₱16,527,035,004

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2020 and 2019, with all variables held constant, through the impact on floating rate borrowings:

	Effect on income before income tax Increase (decrease)	
Basis points	**2020**	2019
+100	**(₱248,900)**	(₱276,400)
-100	**248,900**	276,400

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:
- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund-raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2020 and 2019 based on contractual payments:

	2020					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Financial Assets						
Cash in banks and cash equivalents	₱8,080,535,922	₱–	₱–	₱–	₱–	₱8,080,535,922
Receivables						
Trade:						
Outside parties	1,541,419,267	–	–	–	1,564,439,082	3,105,858,349
Related parties	307,412,820	–	–	–	–	307,412,820
Others*	196,655,363	–	–	–	5,815,359	202,470,722
Environmental guarantee fund	–	–	–	–	3,520,000	3,520,000
	10,126,023,372	–	–	–	1,573,774,441	11,699,797,813
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	5,487,316,399	–	–	–	–	5,487,316,399
Related parties	510,862,019	–	–	–	–	510,862,019
Accrued expenses and other payables**	431,576,478	–	–	–	–	431,576,478
Short term loans* **	5,450,955,679	–	–	–	–	5,450,955,679
Lease liabilities	6,961,846	6,961,845	14,703,241	15,365,724	59,026,059	103,018,715
Peso long-term debt with interest payable in arrears***						
₱3,000.00 million loan	446,152,083	437,959,896	846,851,563	809,591,146	772,458,333	3,313,013,021
₱4,000.00 million loan	498,165,160	488,750,876	944,172,673	901,415,268	859,178,799	3,691,682,776
₱2,750.00 million loan	192,696,904	190,399,581	1,577,772,806	166,041,839	600,466,864	2,727,377,994
₱1,400.00 million loan	145,487,179	143,196,928	277,387,600	266,091,093	786,881,107	1,619,043,907
₱2,700.00 million loan	276,449,680	272,134,938	527,515,978	506,447,338	1,392,942,634	2,975,490,568
₱2,000.00 million loan	182,428,125	179,575,045	348,071,742	334,140,313	918,842,796	1,963,058,021
	₱13,629,051,552	₱1,718,979,109	₱4,536,475,603	₱2,999,092,721	₱5,389,796,592	₱28,273,395,577

*excludes nonfinancial assets
**excludes statutory liabilities
***includes future interest

	2019					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Financial Assets						
Cash in banks and cash equivalents	₱6,452,904,714	₱–	₱–	₱–	₱–	₱6,452,904,714
Receivables						
Trade:						
Outside parties	1,852,135,996	–	–	–	1,564,439,082	3,416,575,078
Related parties	120,559,433	–	–	–	–	120,559,433
Others*	74,159,551	–	–	–	5,815,359	79,974,910
Environmental guarantee fund	–	–	–	–	3,520,000	3,520,000
	8,499,759,694	–	–	–	1,573,774,441	10,073,534,135
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	5,747,420,342	–	–	–	–	5,747,420,342
Related parties	551,694,807	–	–	–	–	551,694,807
Accrued expenses and other payables**	584,907,025	–	–	–	–	584,907,025
Short term loans	2,070,000,000	–	–	–	–	2,070,000,000
Lease liabilities	7,085,685	7,085,684	13,218,031	14,366,768	65,781,450	107,537,618
Peso long-term debt with interest payable in arrears						
₱2,750.00 million loan	137,500,000	137,500,000	275,000,000	1,512,500,000	687,500,000	2,750,000,000
₱1,400.00 million loan	1,400,000,000	–	–	–	–	1,400,000,000
₱750.00 million loan	–	750,000,000	–	–	–	750,000,000
₱4,000.00 million loan	324,593,974	324,593,974	826,834,711	829,160,884	1,665,591,589	3,970,775,132
₱3,000.00 million loan	–	–	744,312,226	747,968,040	1,498,225,201	2,990,505,467
₱2,700.00 million loan	52,165,070	52,165,070	428,824,374	429,340,650	1,723,084,012	2,685,579,176
₱2,000.00 million loan	140,457,729	140,457,729	281,315,690	282,022,610	1,135,921,471	1,980,175,229
	₱11,015,824,632	₱1,411,802,457	₱2,569,505,032	₱3,815,358,952	₱6,776,103,723	₱25,588,594,796

excludes nonfinancial assets
**excludes statutory liabilities*

Foreign currency risk
Majority of the Group's revenue are generated in Philippine Peso, however, there are also significant export coal sales as well as capital expenditures which are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 57.76% and 66.48% of the Group's sales in 2020 and 2019, respectively, were denominated in US$ whereas approximately 7.75% and 4.57% of debts as of December 31, 2020 and 2019, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents follow:

	December 31, 2020		December 31, 2019	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$18,465,858**	**₱886,785,883**	$44,695,558	₱2,263,383,058
Trade receivables	**12,607,855**	**605,467,024**	3,935,590	199,298,266
Liabilities				
Trade payables	**(46,714,548)**	**(2,243,372,743)**	(45,030,082)	(2,280,323,347)
Net exposure	**($15,640,835)**	**(₱751,119,836)**	$3,601,066	₱182,357,977

The exchange rates used were ₱48.02 to $1 and ₱50.64 to $1 in 2020 and 2019, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2020 and 2019.

Reasonably possible change in the Philippine Peso-US$ exchange rate	Increase (decrease) in income before income tax 2020	2019
₱3	**(₱46,922,505)**	**(₱7,202,132)**
(3)	**46,922,505**	**7,202,132**

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange gains (losses) (realized and unrealized) amounting to ₱154.69 million, (₱8.67 million) and (₱388.31 million) in 2020, 2019 and 2018, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations, however, due to the regulated environment that the Group operates in, collectability of financial assets is impacted by government regulations or actions.

The credit risk is concentrated to the following markets:

	2020	2019
Trade receivables - outside parties	85.70%	93.00%
Trade receivables - related parties	8.38	4.13
Others	5.92	2.87
	100.00%	100.00%

As of December 31, 2020 and 2019, the credit quality per class of financial assets is as follows:

	2020				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱8,080,535,922	₱–	₱–	₱–	₱8,080,535,922
Receivables:					
Trade receivables - outside parties	2,426,468,243	–	–	2,282,538,247	4,709,006,489
Trade receivables - related parties	289,660,688	–	–	17,752,132	307,412,820
Others*	202,470,722	–	–	5,815,359	208,286,081
Environmental guarantee fund	3,520,000	–	–	–	3,520,000
	₱11,002,655,575	₱–	₱–	₱2,306,105,738	₱13,308,761,312

**excludes nonfinancial assets*

	2019				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱6,452,904,714	₱–	₱–	₱–	₱6,452,904,714
Receivables:					
Trade receivables - outside parties	3,094,160,150	–	–	1,856,861,392	4,951,021,542
Trade receivables - related parties	150,552,051	–	–	–	150,552,051
Others*	79,974,910	–	–	5,815,359	85,790,269
Environmental guarantee fund	3,520,000	–	–	–	3,520,000
	₱9,781,111,825	₱–	₱–	₱1,862,676,751	₱11,643,788,576

**excludes nonfinancial assets*

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivables - related parties are apportioned between Grade A and Past due and/or individually impaired. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when the probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered with reputable and creditworthy companies.

- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2020 and 2019, the aging analyses of the Group's past due and/individually impaired receivables presented per class are as follows:

	2020			
	Past Due but not Impaired			
	30 Days and Less	**More than 30 Days**	**Impaired Financial Assets**	**Total**
Receivables				
Trade receivables - outside parties	**₱445,612,772**	**₱272,486,392**	**₱1,564,439,082**	**₱2,282,538,247**
Trade receivables - related parties	**17,752,132**	**–**	**–**	**17,752,132**
Others*	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱463,364,904**	**₱272,486,392**	**₱1,570,254,441**	**₱2,306,105,738**

	2019			
	Past Due but not Impaired			
	30 Days and Less	More than 30 Days	Impaired Financial Assets	Total
Receivables				
Trade receivables - outside parties	₱146,337,901	₱146,084,409	₱1,564,439,082	₱1,856,861,392
Others	–	–	5,815,359	5,815,359
Total	₱146,337,901	₱146,084,409	₱1,570,254,441	₱1,862,676,751

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2020 and 2019.

	2020	2019
Interest-bearing loans	**₱19,874,071,814**	₱18,597,035,004
Total equity	**42,185,010,914**	44,235,899,763
Debt-equity ratio	**0.47:1**	0.42:1
EPS (Note 27)	**₱0.77**	₱2.28

The debt-to-equity ratio, expressed in percentage, is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The Group considers short-term loans and long-term debt as 'interest-bearing loans' in determining debt-to-equity ratio.

The following table shows the components of the Group's capital as of December 31, 2020 and 2019:

	2020	2019
Total paid-up capital	**₱10,940,136,701**	₱10,940,136,701
Acquisition of treasury shares	**(739,526,678)**	(739,526,678)
Net remeasurement losses on pension plan	**(122,842,685)**	(98,388,949)
Retained earnings - unappropriated	**26,807,243,576**	28,833,678,689
Retained earnings - appropriated	**5,300,000,000**	5,300,000,000
	₱42,185,010,914	₱44,235,899,763

The Group is not subject to any externally imposed capital requirements.

31. **Fair Values**

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade payables, accrued expenses and other payables, and short-term loans approximate its carrying values since most of these financial instruments are relatively short-term in nature.

Financial asset at FVPL
The fair value of the derivative was determined using the market data approach, MCS valuation which is categorized within Level 3 of the fair value hierarchy.

Long-term debt and lease liabilities
The fair values approximated the carrying values because of recent and regular repricing of interest rates (e.g., monthly, quarterly, semi-annual or annual basis) based on current market conditions. In 2019 and 2018, interest rate ranges from 3.85% to 5.14% and 0.50% to 5.01%, respectively, for long-term debt, while 7.64% to 7.88% for lease liabilities (nil in 2018).

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There has been no reclassification from Level 1 to Level 2 or 3 category in 2020 and 2019.

32. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2020	2019	2018
Depreciation capitalized as coal inventory (Note 10)	**₱324,707,108**	₱443,040,632	₱891,667,535
Transfers from property, plant and equipment to inventories (Notes 7 and 10)	–	182,722,425	–
Write-down of property, plant and equipment (Notes 10 and 22)	**157,196,754**	83,535,586	–

Changes in liabilities arising from financing activities in 2020 and 2019 follows:

	For the Year Ended December 31, 2020				
	January 1, 2020	**Net cash flows**	**Foreign exchange movement**	**Others**	**December 31, 2020**
Short-term loans (Note 13)	**₱2,070,000,000**	**3,355,000,000**	**₱–**	**₱–**	**₱5,425,000,000**
Long-term debt (Note 14)	**16,527,035,004**	**(2,077,514,285)**	**–**	**(448,905)**	**14,449,071,814**
Dividend payable (Note 15)	**1,220,121**	**(5,313,211,592)**	**–**	**5,313,184,525**	**1,193,054**
Lease liabilities (Note 11)	**107,537,618**	**(5,245,912)**	**–**	**727,009**	**103,018,715**
	₱18,705,792,743	**(₱4,040,971,789)**	**₱–**	**₱5,313,462,629**	**₱19,978,283,583**

	For the Year Ended December 31, 2019				
	January 1, 2019	Net cash flows	Foreign exchange movement	Others	December 31, 2019
Short-term loans (Note 13)	₱5,872,231,984	(₱3,802,231,984)	₱–	₱–	₱2,070,000,000
Long-term debt (Note 14)	14,596,796,383	1,878,569,755	36,831,188	14,837,678	16,527,035,004
Dividend payable (Note 15)	1,329,303	(5,313,293,707)	–	5,313,184,525	1,220,121
Lease liabilities (Note 11)	114,055,187	(10,868,143)	–	4,350,574	107,537,618
	₱20,584,412,857	(₱7,247,824,079)	₱36,831,188	₱5,332,372,777	₱18,705,792,743

Others include noncash changes pertaining to amortization of deferred financing costs and cash dividend declaration by the Parent Company, additions to lease liabilities, accretion of interest, and payment of deferred costs. Others in 2019 include recognition of lease liabilities as a result of adoption of PFRS 16.

33. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS.

Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal; and,
- Power - involved in generation of energy available for sale thru bilateral contracts, wholesale electricity market and trading.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

	2020 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,488,547	₱11,761,822	₱–	₱–	₱28,250,369
Inter-segment sales	4,458,634	–	–	(4,458,634)	–
	20,947,181	11,761,822	–	(4,458,634)	28,250,369
Cost of sales*	(12,088,956)	(6,208,388)	–	4,692,924	(13,604,420)
Depreciation and amortization	(3,223,491)	(2,871,507)	–	–	(6,094,998)
Gross profit	5,634,734	2,681,927	–	234,290	8,550,951
Operating expenses*	(2,181,808)	(2,170,876)	(7,375)	–	(4,360,059)
Depreciation	(46,484)	(147,519)	–	–	(194,003)
Operating profit (loss)	3,406,442	363,532	(7,375)	234,290	3,996,889
Other income (expense) - net	2,071,809	251,014	7,727	(2,013,830)	316,720
Finance income	21,029	24,596	697	(449)	45,873
Foreign exchange gain (loss) - net	157,953	(3,267)	–	–	154,686
Finance costs	(357,881)	(737,416)	–	476	(1,094,821)
Pretax income (loss)	5,299,351	(101,541)	1,049	(1,779,513)	3,419,347
Provision for (benefit from) income tax	60,008	74,664	(2,074)	–	132,598
Net income (loss)	₱5,239,344	(₱176,205)	₱3,123	(₱1,779,513)	₱3,286,749
Segment assets	₱42,648,511	₱45,982,500	₱49,209	(₱18,389,492)	₱70,290,728
Deferred tax assets	151,453	701,341	2,203	–	854,997
	₱42,799,964	₱46,683,841	₱51,412	(₱18,389,492)	₱71,145,725
Segment liabilities	₱8,720,822	₱7,319,036	₱222,438	(₱1,750,654)	₱14,511,642
Long-term debt	3,853,255	10,595,817	–	–	14,449,072
	₱12,574,077	₱17,914,853	₱222,438	(₱1,750,654)	₱28,960,714
Cash flows arising from:					
Operating activities	₱6,853,207	₱4,507,770	₱52,247	(₱1,596,509)	₱9,816,715
Investing activities	29,159	(2,441,833)	2,784	(1,770,000)	(4,179,890)
Financing activities	(4,349,015)	308,043	–	–	(4,040,972)
Other disclosures					
Capital expenditures	₱2,863,750	₱2,468,800	₱368,006	₱–	₱5,700,556

**Excluding depreciation and/or amortization*

	2019 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱29,085,433	₱15,166,672	₱–	₱–	₱44,252,105
Inter-segment sales	3,196,974	–	–	(3,196,974)	–
	32,282,407	15,166,672	–	(3,196,974)	44,252,105
Cost of sales*	(15,965,115)	(7,759,265)	–	3,356,685	(20,367,695)
Depreciation and amortization	(3,795,550)	(2,483,914)	–	–	(6,279,464)
Gross profit	12,521,742	4,923,493	–	159,711	17,604,946
Operating expenses*	(4,575,637)	(2,130,048)	(15,656)	–	(6,721,341)
Depreciation	(46,912)	(596,668)	–	–	(643,580)
Operating profit (loss)	7,899,193	2,196,777	(15,656)	159,711	10,240,025
Other income (expense) - net	(8,008)	193,946	338	(77)	186,199
Finance income	23,773	259,128	468	(386)	282,983
Foreign exchange loss - net	(6,922)	(1,752)	–	–	(8,674)
Finance costs	(534,900)	(781,968)	–	–	(1,316,868)
Pretax income (loss)	7,373,136	1,866,131	(14,850)	159,248	9,383,665
Benefit from (provision for) income tax	59,068	236,152	(94)	–	295,126
Net income (loss)	₱7,432,204	₱2,102,283	(₱14,944)	₱159,248	₱9,678,791
Segment assets	₱41,408,334	₱49,119,354	₱40,913	(₱19,247,658)	₱71,320,943
Deferred tax assets	196,973	691,208	–	–	888,181
	₱41,605,307	₱49,810,562	₱40,913	(₱19,247,658)	₱72,209,124
Segment liabilities	₱6,406,696	₱7,311,206	₱215,540	(₱2,487,253)	₱11,446,189
Long-term debt	4,900,000	11,627,035	–	–	16,527,035
	₱11,306,696	₱18,938,241	₱215,540	(₱2,487,253)	₱27,973,224
Cash flows arising from:					
Operating activities	₱13,251,420	₱9,063,685	₱24,903	₱1,798,051	₱24,138,059
Investing activities	(2,622,079)	(8,066,040)	2,784	(1,689,999)	(12,375,334)
Financing activities	(8,288,424)	1,040,600	–	–	(7,247,824)
Other disclosures					
Capital expenditures	₱3,328,138	₱8,354,746	₱8,175	₱–	₱11,691,059

**Excluding depreciation and/or amortization*

	2018 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱23,185,658	₱18,782,855	₱–	₱–	₱41,968,513
Inter-segment sales	7,509,845	–	–	(7,509,845)	–
	30,695,503	18,782,855	–	(7,509,845)	41,968,513
Cost of sales*	(11,704,564)	(10,025,836)	–	7,382,656	(14,347,744)
Depreciation and amortization	(4,051,498)	(2,444,928)	–	–	(6,496,426)
Gross profit	14,939,441	6,312,091	–	(127,189)	21,124,343
Operating expenses*	(4,496,082)	(1,971,473)	(20,191)	–	(6,487,746)
Depreciation	(31,955)	(1,256,094)	–	–	(1,288,049)
Operating profit (loss)	10,411,404	3,084,524	(20,191)	(127,189)	13,348,548
Other income	2,036,953	571,412	47	(2,000,000)	608,412
Finance income	63,360	65,520	288	–	129,168
Foreign exchange loss – net	(365,574)	(22,736)	–	–	(388,310)
Finance costs	(425,147)	(517,788)	–	–	(942,935)
Pretax income (loss)	11,720,996	3,180,932	(19,856)	(2,127,189)	12,754,883
Provision for income tax	(19,906)	(709,577)	(18)	–	(729,501)
Net income (loss)	₱11,701,090	₱2,471,355	(₱19,874)	(₱2,127,189)	₱12,025,382
Segment assets	₱42,354,519	₱45,908,359	₱40,201	(₱17,689,225)	₱70,613,854
Deferred tax assets	66,828	368,256	–	–	435,084
	₱42,421,347	₱46,276,615	₱40,201	(₱17,689,225)	₱71,048,938

	2018 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Segment liabilities	₱8,564,551	₱8,473,182	₱199,838	(₱779,912)	₱16,457,659
Deferred tax liability	–	61,796	–	–	61,796
Long-term debt	5,656,388	8,940,409	–	–	14,596,797
	₱14,220,939	₱17,475,387	₱199,838	(₱779,912)	₱31,116,252
Cash flows arising from:					
Operating activities	₱9,192,381	₱132,620	(₱14,381)	₱192,539	9,503,159
Investing activities	(7,539,776)	945,719	14,431	(1,992,612)	(8,572,238)
Financing activities	(6,636,935)	(2,852,992)	–	2,000,120	(7,489,807)
Other disclosures					
Capital expenditures	₱6,332,006	₱3,182,035	₱14,431	₱–	₱9,528,472

**Excluding depreciation and/or amortization*

Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.

Significant noncash items charged to comprehensive income include change in rehabilitation plan in 2018, impairment of capitalized development cost for clay business in 2017, loss on property, plant and equipment write-down in 2016, and depreciation and amortization.

Segment assets exclude deferred tax assets amounting to ₱855.00 million, ₱888.18 million and ₱435.08 million in 2020, 2019 and 2018, respectively.

Capital expenditures consist of additions to property, plant and equipment.

All noncurrent assets other than financial instruments are located in the Philippines.

Disaggregation of Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Revenues from coal sales

	2020	2019	2018
Domestic market	**₱4,939,825,531**	₱6,973,910,841	₱10,125,347,705
Export market	**11,548,721,631**	22,111,522,547	13,060,310,428
	₱16,488,547,162	₱29,085,433,388	₱23,185,658,133

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. Customers on the export sales are significantly from China.

All of the Group's sales of coal are revenue from contracts with customers recognized at point in time.

Revenues from power sales

	2020	2019	2018
Bilateral contracts			
Distribution utility	₱1,233,792,000	₱1,376,375,687	₱8,409,364,280
RES	4,879,102,971	6,222,128,463	7,197,606,624
Others	17,802,399	111,848,219	30,228,640
	6,130,697,370	7,710,352,369	15,637,199,544
Spot sales			
WESM	5,631,123,974	7,456,319,551	3,145,655,146
	₱11,761,821,344	₱15,166,671,920	₱18,782,854,690

All revenues from power are derived from the Philippine market and are revenue from contracts with customers recognized over time.

Set out below is the reconciliation of contracts with customers with the amounts disclosed in segment information:

	For the Year Ended December 31, 2020				
	Domestic coal sales	Export coal sales	Bilateral contracts	Spot sales	Total
Revenue					
External customers	₱4,939,825,531	₱11,548,721,631	₱6,130,697,370	₱5,631,123,974	₱28,250,368,506
Inter-segment	4,458,634,145	–	–	–	4,458,634,145
	9,398,459,676	11,548,721,631	6,130,697,370	5,631,123,974	32,709,002,651
Inter-segment adjustments and eliminations	(4,458,634,145)	–	–	–	(4,458,634,145)
	₱4,939,825,531	₱11,548,721,631	₱6,130,697,370	₱5,631,123,974	₱28,250,368,506

	For the Year Ended December 31, 2019				
	Domestic coal sales	Export coal sales	Bilateral contracts	Spot sales	Total
Revenue					
External customers	₱6,973,910,841	₱22,111,522,547	₱7,710,352,369	₱7,456,319,551	₱44,252,105,308
Inter-segment	3,196,974,312	–	–	–	3,196,974,312
	10,170,885,153	22,111,522,547	7,710,352,369	7,456,319,551	47,449,079,620
Inter-segment adjustments and eliminations	(3,196,974,312)	–	–	–	(3,196,974,312)
	₱6,973,910,841	₱22,111,522,547	₱7,710,352,369	₱7,456,319,551	₱44,252,105,308

34. Other Matters

a. *Electric Power Industry Reform Act (EPIRA)*
In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish

WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM
With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. *Clean Air Act*
On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

c. *Competitive Selection Process (CSP)*
On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all DUs to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one automatic renewal or extension for a period not exceeding one year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

d. *Retail Competition and Open Access (RCOA)*
Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared December 26, 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding 12 months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on June 26, 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least seven hundred fifty kilowatts (750 kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), "A Resolution Adopting the Revised Rules for Contestability", was signed. These revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kW for the preceding 12 months, is set to June 26, 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750 kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of December 26, 2016 (This was moved by the ERC to February 26, 2017 through ERC Resolution No. 28 (2016), "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability" signed on November 15, 2017. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of June 26, 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on June 26, 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on June 26, 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2018, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers' contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. *Renewable Portfolio Standards (RPS)*
The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2018 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next 10 years and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

f. *COVID-19 outbreak*

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Group's business activities. However, there have been easing of the quarantine measures in key areas in the Philippines and the rollout of the national vaccination program is expected to further improve market activities.

The Group continues to implement measures to alleviate the effects and believes that its business would remain relevant despite the challenges posed by the COVID-19 pandemic.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 3, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
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March 3, 2021

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SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 3, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 3, 2021

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditor's on supplementary schedules
- Reconciliation of retained earnings available for dividend declaration (Part 1, 4C; Annex 68-C)
- Schedule of financial soundness indicators (Part 1, 4D)
- Supplementary schedules required by Annex 68-E

  Schedule A: Financial Assets

  Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

  Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

  Schedule D: Long-Term Debt

  Schedule E: Indebtedness to Related Parties

  Schedule F: Guarantees of Securities of other Issuers

  Schedule G: Capital Stock

- Map of the relationships of the companies within the group (Part 1, 4H)

SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Unappropriated retained earnings, beginning		**₱14,894,342,680**
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		**56,019,700**
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		**77,236,167**
Treasury shares		**(739,526,678)**
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		**14,288,071,869**
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	**5,281,446,601**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset (liability) that increased (decreased) the amount of income tax expense	**8,188,387**	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	**64,406,412**	
Net income actually earned during the period		**5,354,041,400**
Add (Less):		
Cash dividend declarations during the period		**(5,313,184,525)**
Stock dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱14,328,928,744**

APR 30 2021

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020 and 2019:

Financial ratios		2020	2019
Current ratio	Current assets / Current liabilities	1.41:1	1.54:1
Acid-test ratio	Current assets less inventories / Current liabilities	0.76:1	0.81:1
Solvency ratio	Net income plus depreciation / Total liabilities	0.33:1	0.59:1
Debt to equity ratio	Interest-bearing loans / Total equity	0.47:1	0.42:1
Asset-to-equity ratio	Total assets / Total equity	1.69:1	1.63:1
Inventory turnover	Cost of sales / Average inventory	1.88:1	2.36:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	7.73:1	8.09:1
Interest rate coverage	Earnings before interest and taxes / Interest paid	4.33:1	8.43:1
Return on assets	Net income / Average total assets	0.05:1	0.14:1
Return on equity	Net income / Average total equity	0.08:1	0.23:1
Gross margin ratio	Gross profit / Sales	0.30:1	0.40:1
Net profit margin ratio	Net income / Sales	0.12:1	0.22:1

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2020

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2020

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	₱1,137,930,947	₱3,885,853,808	₱3,418,392,668	₱–	₱1,605,392,087	₱–	₱1,605,392,087
Semirara Claystone, Inc.	215,666,152	6,901,461	–	–	222,567,613	–	222,567,613
Southwest Luzon Power Generation Corporation	496,557,146	1,100,532,656	1,427,785,258	–	169,304,544	–	169,304,544
Semirara Energy Utilities, Inc.	573,966	36,227	–	–	610,193	–	610,193
Southeast Luzon Power Generation Corporation	17,573,640	32,532	–	–	17,606,172	–	17,606,172
SEM-Cal Industrial Park Developers, Inc.	238,320	–	–	–	238,320	–	238,320
	₱1,868,540,171	₱4,993,356,684	₱4,846,177,926	₱–	₱2,015,718,929	₱–	₱2,015,718,929

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: LONG-TERM DEBT

DECEMBER 31, 2020

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	₱3,000 million	Fixed Nominal Rate of 4.90%	Various quarterly maturities starting 2021 until 2024	Payable in 16 equal consecutive quarterly installments commencing in May 2011	₱747,253,960	₱2,246,193,241
Bank loans	₱2,700.00 million	Fixed Nominal Rate of 4.88%	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	427,601,404	2,149,372,653
Bank loans	₱1,400.00 million	Floating rate to be repriced every 3 months based on 3-Months "PDST-R2" plus a spread of one-half of one percent (0.5%)	February 2027	Interest payable every 3 months, principal to be paid on maturity date	221,653,358	1,170,070,802
Bank loans	₱2,750.00 million	Fixed annual interest rate of 4.57% per annum to be repriced after 3 years	Various quarterly maturities starting 2020 until 2027	Interest and principal payable every 3 months	269,257,491	2,192,273,404
Bank loans	₱2,000.00 million	Fixed Nominal Rate of 4.88%	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	282,538,660	1,420,996,090
Bank loans	₱4,000.00 million	Fixed Nominal Rate of 5.00%-5.13%	Various quarterly maturities starting 2020 until 2024	Interest and principal payable every 3 months	827,050,881	2,494,809,870
					₱2,775,355,754	₱11,673,716,060

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2020

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable. The Company currently has no noncurrent indebtedness to related parties

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2020

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

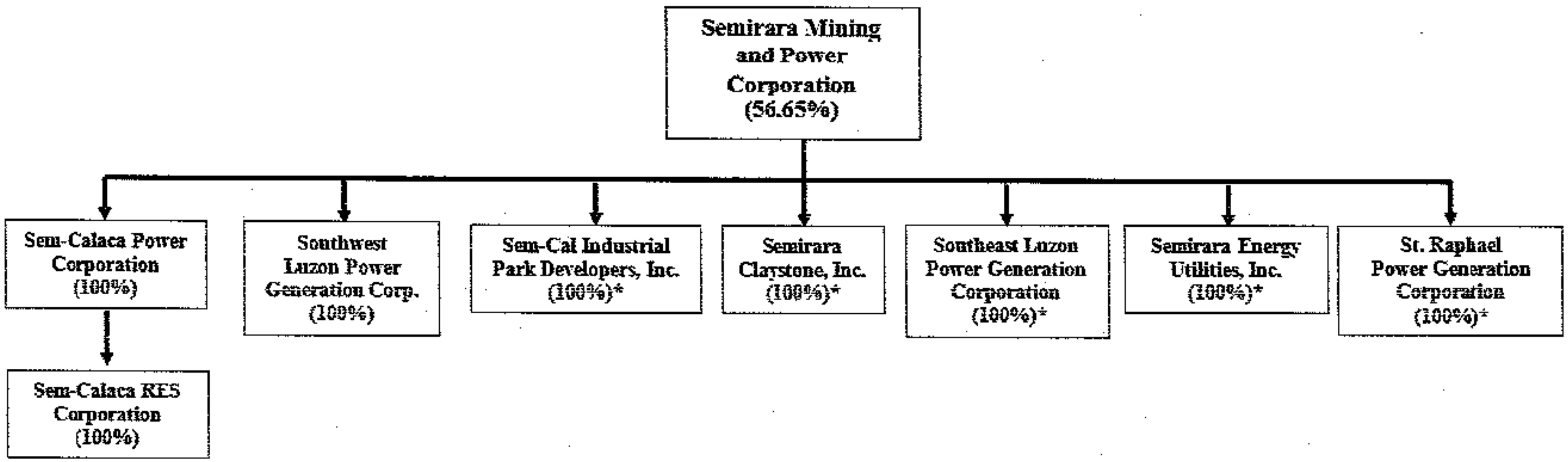
DECEMBER 31, 2020

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	10,000,000,000	4,250,547,620	–	3,007,216,881	78,902,284	1,164,428,454

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2020



*Non-operating entities

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PARENT FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the parent financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the parent financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 3rd day of March 2021.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this ____ day of MAR 19 2021 2021, MUNTINLUPA CITY Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	P2690001B	July 30, 2029/DFA, Manila
Junalina S. Tabor	P8721996A	September 11, 2028/DFA, Manila

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 525;
Page No. 105;
Book No. VI;
Series of 2021.

MARIA JOSEFINA R. ALFONSO
Notary Public, Muntinlupa City
Appointment No. [illegible] until 31 December 2020
Unit 505, Richville [illegible] Alabang Zapote Rd.
Ayala [illegible] 1780
Roll of Attorneys No. [illegible]
IBP LRN No. [illegible] Chapter
PTR No. 3252164; [illegible] Muntinlupa City
MCLE Compliance No. VI-0016310; 11/10/2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 0 9 1 4 4 7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
APFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
731	First Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Junalina S. Tabor	jstabor@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Semirara Mining and Power Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Semirara Mining and Power Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 3, 2021

SEMIRARA MINING AND POWER CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 27 and 28)	**₱5,662,911,634**	₱3,243,914,367
Receivables (Notes 5, 17, 27 and 28)	**3,436,358,274**	2,613,189,790
Inventories (Note 6)	**6,856,197,914**	6,384,700,840
Other current assets (Note 7)	**452,341,686**	862,449,890
Total Current Assets	**16,407,809,508**	13,104,254,887
Noncurrent Assets		
Investments in subsidiaries and joint venture (Note 8)	**16,913,125,000**	16,741,625,000
Property, plant and equipment (Note 9)	**9,234,521,456**	10,725,071,787
Right-of-use assets (Note 23)	**58,160,283**	70,292,040
Deferred tax assets - net (Note 24)	**191,400,854**	196,973,235
Other noncurrent assets (Notes 10 and 27)	**34,895,231**	251,757,910
Total Noncurrent Assets	**26,432,102,824**	27,985,719,972
	₱42,839,912,332	₱41,089,974,859
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 17, 27 and 28)	**₱6,074,857,726**	₱5,046,668,518
Short-term loans (Notes 12, 27 and 28)	**2,000,000,000**	–
Current portion of long-term debt (Notes 13, 27 and 28)	**490,910,849**	2,425,000,000
Current portion of lease liabilities (Notes 3, 23, 27 and 28)	**11,797,894**	10,571,927
Total Current Liabilities	**8,577,566,469**	7,482,240,445
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 27 and 28)	**3,362,344,206**	2,475,000,000
Provision for decommissioning and mine site rehabilitation (Note 14)	**254,525,082**	500,085,766
Lease liabilities - net of current portion (Notes 3, 23, 27 and 28)	**50,990,624**	62,293,465
Net pension liability (Note 18)	**328,649,990**	271,744,540
Total Noncurrent Liabilities	**3,996,509,902**	3,309,123,771
Total Liabilities	**12,574,076,371**	10,791,364,216
Equity		
Capital stock (Note 15)	**4,264,609,290**	4,264,609,290
Additional paid-in capital	**6,675,527,411**	6,675,527,411
Retained earnings (Note 16)		
Unappropriated	**14,867,672,016**	14,894,342,680
Appropriated	**5,300,000,000**	5,300,000,000
Remeasurement losses on pension plan - net of tax (Note 18)	**(102,446,078)**	(96,342,060)
Treasury shares (Note 15)	**(739,526,678)**	(739,526,678)
Total Equity	**30,265,835,961**	30,298,610,643
	₱42,839,912,332	₱41,089,974,859

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	**2019**
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 17 and 30)	**₱20,947,181,307**	₱32,582,084,897
COST OF SALES (Note 19)	**15,312,446,822**	20,060,341,820
GROSS PROFIT	**5,634,734,485**	12,521,743,077
OPERATING EXPENSES (Note 20)	**2,217,974,517**	4,622,549,780
INCOME FROM OPERATIONS	**3,416,759,968**	7,899,193,297
OTHER INCOME (CHARGES)		
Dividend income (Note 8)	**2,000,000,000**	–
Finance income (Notes 4 and 22)	**21,894,150**	23,772,654
Finance costs (Note 21)	**(357,880,760)**	(534,900,481)
Foreign exchange gains (losses) - net (Note 27)	**157,952,579**	(6,921,572)
Other income (expense) - net (Note 9)	**71,808,982**	(8,007,542)
	1,893,774,951	(526,056,941)
INCOME BEFORE INCOME TAX	**5,310,534,919**	7,373,136,356
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)	**24,021,058**	(59,067,514)
NET INCOME	**5,286,513,861**	7,432,203,870
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods		
Remeasurement losses on pension plan (Note 18)	**(8,720,024)**	(83,020,366)
Income tax effect (Note 24)	**2,616,006**	24,906,110
	(6,104,018)	(58,114,256)
TOTAL COMPREHENSIVE INCOME	**₱5,280,409,843**	₱7,374,089,614
Basic/Diluted Earnings per Share (Note 27)	**₱1.24**	₱1.75

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital	Unappropriated Retained Earnings (Note 16)	Appropriated Retained Earnings (Note 16)	Remeasurement Losses on Pension Plan (Note 18)	Treasury Shares (Note 15)	Total
			For the Year Ended December 31, 2020				
Balances as of January 1, 2020	**₱4,264,609,290**	**₱6,675,527,411**	**₱14,894,342,680**	**₱5,300,000,000**	**(₱96,342,060)**	**(₱739,526,678)**	**₱30,298,610,643**
Comprehensive income:							
Net income for the year	–	–	5,286,513,861	–	–	–	5,286,513,861
Other comprehensive loss	–	–	–	–	(6,104,018)	–	(6,104,018)
Total comprehensive income (loss)	–	–	5,286,513,861	–	(6,104,018)	–	5,280,409,843
Cash dividends declared (Note 16)	–	–	(5,313,184,525)	–	–	–	(5,313,184,525)
Balances as of December 31, 2020	**₱4,264,609,290**	**₱6,675,527,411**	**₱14,867,672,016**	**₱5,300,000,000**	**(₱102,446,078)**	**(₱739,526,678)**	**₱30,265,835,961**
			For the Year Ended December 31, 2019				
Balances as of January 1, 2019	₱4,264,609,290	₱6,675,527,411	₱8,775,323,335	₱9,300,000,000	(₱38,227,804)	(₱739,526,678)	₱28,237,705,554
Comprehensive income:							
Net income for the year	–	–	7,432,203,870	–	–	–	7,432,203,870
Other comprehensive loss	–	–	–	–	(58,114,256)	–	(58,114,256)
Total comprehensive income (loss)	–	–	7,432,203,870	–	(58,114,256)	–	7,374,089,614
Cash dividends declared (Note 16)	–	–	(5,313,184,525)	–	–	–	(5,313,184,525)
Reversal of appropriations (Note 16)	–	–	4,000,000,000	(4,000,000,000)	–	–	–
Balances as of December 31, 2019	₱4,264,609,290	₱6,675,527,411	₱14,894,342,680	₱5,300,000,000	(₱96,342,060)	(₱739,526,678)	₱30,298,610,643

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,310,534,919**	₱7,373,136,356
Adjustments for:		
Depreciation and amortization charged to cost and expenses (Notes 9, 10, 19, 20 and 23)	**3,058,630,320**	3,933,407,076
Finance costs (Note 21)	**357,880,760**	534,900,481
Net unrealized foreign exchange losses	**68,737,670**	139,288,851
Pension expense (Note 18)	**58,502,702**	40,422,717
Gain on sale of equipment (Notes 9 and 17)	**(56,302,889)**	(12,000,005)
Finance income (Notes 4 and 22)	**(21,894,150)**	(23,772,654)
Dividend income (Note 8)	**(2,000,000,000)**	–
Impairment loss on other current assets and property, plant and equipment (Note 20)	–	166,474,665
Operating income before changes in operating assets and liabilities	**6,776,089,332**	12,151,857,487
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(897,740,548)**	1,810,683,247
Inventories (Notes 6, 9 and 29)	**(230,907,958)**	1,949,119,132
Other current assets	**410,108,204**	775,998,658
Increase (decrease) in:		
Trade and other payables	**1,172,810,029**	(2,101,729,763)
Provision for decommissioning and mine site rehabilitation	–	(14,543,926)
Net cash generated from operations	**7,230,359,059**	14,571,384,835
Benefits paid (Note 18)	**(10,317,276)**	(7,289,014)
Interest received (Notes 4 and 22)	**21,894,150**	23,772,654
Interest paid	**(316,806,409)**	(504,693,370)
Income taxes paid (Note 24)	**(15,832,671)**	(9,191,753)
Net cash flows provided by operating activities	**6,909,296,853**	14,073,983,352
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Notes 9 and 29)	**(2,791,332,747)**	(3,425,429,996)
Investment in joint venture (Note 8)	**(56,500,000)**	–
Computer software (Note 10)	**(4,562,479)**	(10,326,053)
Proceeds from:		
Dividends (Note 8)	**2,000,000,000**	–
Sale of equipment (Notes 9 and 17)	**535,886,933**	12,000,005
Increase in other noncurrent assets (Note 10)	**210,680,442**	70,940,458
Net cash flows used in investing activities	**(105,827,851)**	(3,352,815,586)

(Forward)

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of (Note 29):		
Short-term loans (Note 12)	**₱2,000,000,000**	₱21,550,000,000
Long-term debt (Note 13)	**1,400,000,000**	2,750,000,000
Payments of (Note 29):		
Short-term loans (Note 12)	–	(23,800,000,000)
Long-term debt (Note 13)	**(2,425,000,000)**	(3,543,219,425)
Loan transaction costs (Note 13)	**(31,125,000)**	–
Principal portion of lease liabilities (Note 23)	**(10,803,885)**	(9,422,665)
Dividends (Note 16)	**(5,313,211,592)**	(5,313,293,707)
Net cash flows used in financing activities	**(4,380,140,477)**	(8,365,935,797)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,331,258)**	24,917,810
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,418,997,267**	2,380,149,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,243,914,367**	863,764,588
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,662,911,634**	₱3,243,914,367

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (SMPC or the Parent Company) was incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is 56.65% owned subsidiary of DMCI Holdings, Inc. (DHI), a publicly listed entity in the Philippines and its ultimate parent company.

The Parent Company's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, *The Coal Development Act of 1976*, and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets, among others.

The Parent Company has seven (7) wholly owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SIPDI), Semirara Claystone Inc. (SCI), Semirara Energy Utilities Inc. (SEUI) and Southeast Luzon Power Generation Corporation (SeLPGC). During the year, the Parent Company entered into a deed of assignment for acquisition of remaining 50% ownership interest in St. Raphael Power Generation Corporation (SRPGC). The nature and status of operations are discussed in Note 8.

The parent company financial statements as of December 31, 2020 and 2019 and for the years then ended were authorized for issue by the Board of Directors (BOD) on March 3, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis. The Parent Company's functional currency and presentation currency is the Philippine Peso (₱). All amounts are rounded-off to the nearest Peso, except for earnings per share and par value information or unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

The Parent Company also prepares and issues consolidated financial statements for the same period and presented in compliance with PFRS which are available at the Parent Company's registered and principal office address.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these amended standards did not have an impact on the financial statements of the Parent Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on the parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards,*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution*

Significant Accounting Policies and Disclosures

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after reporting date; or,
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

<u>Recognition and Measurement of Financial Instruments</u>
Financial assets

a. Initial recognition

   Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVPL).

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under PFRS 15 (refer to the accounting policies for *Revenue from contracts with customers*).

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

The Parent Company's financial assets compromise of financial assets at amortized cost.

b. Subsequent measurement - Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Parent Company's business model, the objective of which is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost includes cash and cash equivalents, receivables and environmental guarantee fund presented under other noncurrent assets.

c. Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or,
- the Parent Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (i) the Parent Company has transferred substantially all the risks and rewards of the asset, or (ii) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liabilities

a. Initial recognition
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities comprise of financial liabilities at amortized cost.

b. Subsequent measurement - Payables, loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent company statement of comprehensive income.

This accounting policy applies to the Parent Company's trade and other payables, short-term loans, lease liabilities and long-term debt and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liability, income tax payable, and other statutory liabilities).

c. Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company uses a provision matrix which is based on historical observed default rate or losses and adjusted by forward-looking estimate. Primary drivers like macroeconomic indicators of qualitative factors (e.g., inflation) were added to the expected losses calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Parent Company's definition of default, historical data of three (3) years for the origination and default date. The Parent Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the Parent Company's cash and cash equivalents and environmental guarantee fund presented under other noncurrent assets measured at amortized cost, the general approach for measuring expected credit losses was applied.

For environmental guarantee fund, ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Parent Company uses the ratings published by a reputable rating agency.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Parent Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

When the net realizable value of the inventories is lower than the cost, the Parent Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the parent company statement of comprehensive income when consumed.

Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Stripping Costs

As part of its mining operations, the Parent Company incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above). Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and,
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the parent company statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Parent Company works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the parent company statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

<u>Mineable Ore Reserves</u>
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Parent Company's mining properties. The Parent Company estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

The estimate on the mineable ore reserve are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Parent Company will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

<u>Property, Plant and Equipment</u>
Upon completion of exploration, evaluation and development of the mine, the capitalized assets are transferred into property, plant and equipment. Items of property, plant and equipment except land, equipment in transit and construction in progress are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost and shall be depreciated using the straight-line method when the development is completed or the assets are available for their intended use. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of equipment and other direct costs.

Mine properties consist of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property.

Mine properties are depreciated or amortized on a units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the parent company statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining properties and mining equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the parent company statement of comprehensive income in the year the item is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the parent company statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the parent company statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the parent company statement of comprehensive income when the asset is derecognized.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the parent company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the parent company statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

<u>Input Value-Added Taxes (VAT)</u>
Input tax represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Parent Company upon approval of the Bureau of Internal Revenue (BIR) and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or

recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the parent company statement of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the parent company statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of input VAT is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Investments in Subsidiaries and Joint Venture

The Parent Company's investments in its subsidiaries and joint venture are accounted for using the cost method in the parent company financial statements.

A subsidiary is an entity that is controlled by another entity. Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the entity controls an investee if and only if that entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

A jointly controlled entity is an entity, not being a subsidiary or an associate, in which an entity exercises joint control together with one or more other partners. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Other Assets

Other assets pertain to all other resources controlled by the Parent Company as a result of past events and from which future economic benefits are probable to flow to the Parent Company. If assets are expected to be realized within 12 months from end of reporting period, these are classified as current. Otherwise, these are classified as noncurrent.

Prepayments

Prepayments are amounts paid in advance for goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Parent Company within its normal operating cycle or within 12 months from end of reporting period. These are measured at amortized cost less any impairment loss.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount.

Investments in subsidiaries and joint venture
The Parent Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries and joint venture are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the parent company statement of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the parent company statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, right-of-use assets and other current and noncurrent assets, reversal is recognized in the parent company statement of comprehensive income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Revenue and Income Recognition</u>
Revenue from Contracts with Customers
The Parent Company primarily derives its revenue from the sale of coal. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of coal
Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Parent Company expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US$), respectively.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Finance income
Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Other income
Other income is recognized when receipts of economic benefits are virtually certain and comes in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than from those relating to contributions from equity participants.

Costs and Expenses
Costs and expenses are generally recognized when incurred and measured at the fair value of the consideration paid or payable.

The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of Sales
Cost of sales includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and mine site rehabilitation, direct labor and other related production overhead. These costs are recognized when the related revenue is recognized.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Operating expenses are recognized in the parent company statement of comprehensive income as incurred.

Contract Balances
Trade receivables
Trade receivables represent the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract fulfillment costs
The Parent Company incurs shiploading costs for each coal delivery made under its contracts with customers. The Parent Company has elected to apply the optional practical expedient for costs to fulfill a contract which allows the Parent Company to immediately expense shiploading costs (presented as part of cost of sales under 'Hauling and shiploading costs') because the amortization period of the asset that the Parent Company otherwise would have used is one (1) year or less.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Parent Company during the period.

All other borrowing costs are recognized in the parent company statement of comprehensive income in the period in which they are incurred.

Pension Cost

The Parent Company has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to parent company statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

Income Tax

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is recognized in the parent company statement of comprehensive income and parent company statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the parent company financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Provisions

Provisions are recognized only when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and mine site rehabilitation

The Parent Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the parent company statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the parent company statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee

Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and is adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized and is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets (if depreciable). If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented under noncurrent assets in the parent company statement of financial position and is subject to impairment. Refer to the accounting policies on *Impairment of Nonfinancial Assets.*

Lease liabilities

At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. The lease payments include fixed payments (including in substance fixed payments), less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Parent Company applies the short-term lease recognition exemption to its rental of warehouse and office space that has lease term of 12 months or less from the initial application date and do not contain a purchase option. It also applies the lease of low value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation
The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. For each entity, the Parent Company determines the functional currency and items included in the parent company financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the parent company statement of comprehensive income.

Equity
Capital stock
The Parent Company records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings
Retained earnings represent accumulated earnings of the Parent Company less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Retained earnings are restricted to the extent of the cost of the treasury shares.

Treasury shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segments
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Parent Company generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the parent company financial statements on the period in which the change occurs.

Events After Reporting Date
Post year-end events up to the date of the auditors' report that provides additional information about the Parent Company's position at reporting date (adjusting events) are reflected in the parent company financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the parent company financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The judgments, estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the parent company financial statements:

a. *Revenue recognition - method and measure of progress*
The Parent Company concluded that revenue from coal sales is to be recognized at a point in time as the control transfers to customers at the date of shipment, which is consistent with the point in time when risk and rewards passed under PAS 18.

b. *Determination of components of ore bodies and allocation measures for stripping cost allocation*
The Parent Company has identified that each of its two active mine sites, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Parent Company considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Parent Company recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *Contingencies*
The Parent Company is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external legal counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently believes that these proceedings will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26).

d. *Impairment assessment of nonfinancial assets*
The Parent Company reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as significant or prolonged decline in the fair value of the asset, significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, significant negative industry or economic trends, or significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Parent Company operates.

In 2019, management recognized provision for impairment loss on other current assets amounting to ₱82.94 million since management assessed that the carrying amount of these assets are no longer recoverable (nil in 2020, see Notes 7 and 20). Related allowance for impairment losses of the Parent Company's nonfinancial assets amounted to ₱98.23 million as of December 31, 2020 and 2019, respectively (see Notes 7 and 10).

Management believes that no impairment indicator exists on other nonfinancial assets of the Parent Company. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 7, 8, 9, 10 and 23.

e. *Determination of lease term of contracts with renewal and termination options - Parent Company as a Lessee*
The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Parent Company included the renewal period as part of the lease term for leases of land with longer non-cancellable periods (i.e., 10 to 15 years). The Parent Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for some lease contracts identified to be scoped under PFRS 16, the Parent Company did not include such renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

f. Evaluation whether acquisition constitute a business combination
The Parent Company acquired additional 50% ownership interest in SRPGC through a Deed of Assignment, with a joint venture partner. SRPGC is in the process of developing power plants in Calaca, Batangas. Prior to acquisition, the Parent Company already owned 50% ownership interest in SRPGC.

In determining whether a transaction or an event is a business combination, the Parent Company assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Parent Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The Parent Company assessed that the acquisition of SRPGC does not constitute a business. In making the judgment, the Parent Company considered the status of SRPGC and assessed that there was no substantive process acquired as of acquisition date. As such, the transaction was accounted for as an acquisition of assets recognized at cost in the parent company financial statements.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Estimating mineable ore reserves
The Parent Company uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Parent Company estimates its mineable ore reserves by using estimates provided by the Parent Company's professionally qualified internal mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱5,160.28 million and ₱4,338.74 million as of December 31, 2020 and 2019, respectively (see Note 9).

b. *Estimating provision for expected credit losses of receivables*
The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The allowance for impairment loss for receivables is disclosed in Note 5.

The Parent Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amounts of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

c. *Estimating stock pile inventory quantities*
The Parent Company estimates the coal stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted at least on a monthly basis. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%).

Thus, an increase or decrease in the estimation threshold for any period would differ if the Parent Company utilized different estimates and this would either increase or decrease the cost of sales for the year.

The coal inventory as of December 31, 2020 and 2019 amounted to ₱1,567.27 million and ₱1,730,67, respectively (see Note 6).

d. *Estimating allowance for obsolescence in spare parts and supplies*
The Parent Company provides 100% allowance for obsolescence on items that are specifically identified as obsolete. The amount of recorded inventory obsolescence for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Parent Company's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 6.

e. *Estimating decommissioning and mine site rehabilitation costs*
The Parent Company is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities end in the depleted mine pits. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

An increase in decommissioning and mine site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and mine site rehabilitation costs are reviewed and updated annually.

Information with respect to the estimated provision for decommissioning and mine site rehabilitation cost are disclosed in Note 14.

f. *Deferred tax assets*
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Parent Company will generate taxable earnings in future periods and in reference to its income tax holiday (ITH) status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Parent Company to realize the net deferred tax assets recorded at reporting date could be impacted.

Details of NOLCO for which deferred tax assets are not recognized are disclosed in Note 24.

g. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 18 and include among others, the determination of the discount rates and future salary increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on management's assumption aligned with the future inflation rates.

Information on the Parent Company's pension expense and related net pension liability are disclosed in Note 18.

h. Estimating the incremental borrowing rate
The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs (such as market interest rates) by reference to its existing bank loans. This rate reflects the amount that the entity would need to borrow over the term of the lease.

The Parent Company's lease liabilities discounted using the IBR amounted to ₱62.79 million and ₱72.87 million as of December 31, 2020 and 2019, respectively (see Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash in banks and on hand	**₱2,037,993,338**	₱530,161,093
Cash equivalents	**3,624,918,296**	2,713,753,274
	₱5,662,911,634	₱3,243,914,367

Cash and cash equivalents comprise of cash in banks and on hand and short-term deposits but excludes any restricted cash that is not available for use by the Parent Company and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Parent Company, and earn interest ranging from 0.75% to 3.5% and 0.13% to 4.45% in 2020 and 2019, respectively.

In 2020 and 2019, interest income earned on cash and cash equivalents amounted to ₱21.89 million and ₱23.77 million, respectively (see Note 22).

5. Receivables

	2020	2019
Trade receivables - related parties (Note 17)	**₱2,181,098,461**	₱1,974,657,906
Trade receivables - outside parties	**1,402,637,753**	818,504,588
Others	**94,596,135**	62,001,371
	3,678,332,349	2,855,163,865
Less allowance for impairment losses	**241,974,075**	241,974,075
	₱3,436,358,274	₱2,613,189,790

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and have 30-day credit terms.

Trade receivables - outside parties
Receivables from coal sales are noninterest-bearing and generally have 30 to 45 days credit terms. These receivables arise from export sales for coal sold to international market which are priced in US$ and local sales for coal sold to domestic market which are priced in Philippine Peso.

Others
Others include noninterest-bearing advances to officers and employees which are collected through salary deduction.

Allowance for impairment losses
As of December 31, 2020 and 2019, this account pertains to the following:

Trade receivables - related parties	₱200,046,209
Trade receivables - outside parties	36,112,507
Others	5,815,359
	₱241,974,075

6. Inventories

	2020	2019
Coal inventories - at cost	**₱1,567,267,007**	₱1,730,674,606
Spare parts and supplies - at NRV	**5,288,930,907**	4,654,026,234
	₱6,856,197,914	₱6,384,700,840

Coal inventories are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of sales' in the parent company statements of comprehensive income amounted to ₱14,556.28 million and ₱19,551.69 million in 2020 and 2019, respectively (see Note 19).

Coal inventories at cost include capitalized depreciation of ₱240.59 million and ₱352.10 million in 2020 and 2019, respectively (see Note 9).

Spare parts and supplies, with previously recognized allowance for obsolescence, amounting to ₱5.88 million were written off in 2020 (nil in 2019). Allowance for obsolescence of spare parts and supplies amounted to ₱61.51 million and ₱67.39 million as of December 31, 2020 and 2019, respectively. The related cost of inventories at NRV amounted to ₱5,330.73 million and ₱4,518.21 million as of December 31, 2020 and 2019, respectively.

7. Other Current Assets

	2020	2019
Creditable withholding tax	**₱417,557,832**	₱415,574,772
Advances to suppliers (Note 10)	**114,407,296**	496,442,183
Others	**3,315,637**	33,372,014
	535,280,765	945,388,969
Less allowance for impairment loss (Note 20)	**82,939,079**	82,939,079
	₱452,341,686	₱862,449,890

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Parent Company's customers from their income payments. This will be claimed as tax credit and will be used against future income tax payable.

Advances to suppliers
Advances to suppliers classified as current assets represent prepayments for the acquisition of materials and supplies and are expected to be realized within one (1) year. In 2019, the Parent Company recognized provision for impairment loss amounting to ₱82.94 million on advances which management expects to be unrecoverable (nil in 2020, see Note 20).

Others
Others include environment guarantee fund, prepayments on insurance and other prepaid charges.

8. Investments in Subsidiaries and Joint Venture

This account consists of the following investments and related percentages of ownership as of December 31, 2020 and 2019:

	Principal Activity	**2020** Ownership	**2020** Amount	2019 Ownership	2019 Amount
Subsidiaries					
SLPGC	Power	**100%**	**₱8,640,000,000**	100%	₱8,640,000,000
SCPC	Power	**100**	**8,000,000,000**	100	8,000,000,000
SCI	Manufacturing	**100**	**34,375,000**	100	34,375,000
SEUI	Power	**100**	**3,125,000**	100	3,125,000
SeLPGC	Power	**100**	**3,125,000**	100	3,125,000
SIPDI	Economic zone developer	**100**	**2,500,000**	100	2,500,000
SRPGC	Power	**100**	**230,000,000**	–	–
Joint Venture					
SRPGC	Power	–	–	50	58,500,000
			₱16,913,125,000		₱16,741,625,000

The Parent Company's subsidiaries and joint venture are all incorporated and domiciled in the Philippines. Except for SCPC, SLPGC and SCRC, the other subsidiaries have not yet started commercial operations as of December 31, 2020 and 2019.

Investment in Subsidiaries
The Parent Company received cash dividends from SLPGC amounting to ₱2,000.00 million in 2020 (nil in 2019).

Investment in a Joint Venture
The Parent Company has 50% interest in SRPGC which was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPGC is in the process of developing and constructing a proposed 2x350 MW, coal-fired power plant in Calaca, Batangas.

On September 30, 2020, SRPGC made an equity call and the Parent Company paid additional ₱56.50 million.

On November 9, 2020, the joint venture agreement between the Parent Company and Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of MERALCO, was terminated. Subsequently after termination, SRPGC became a wholly-owned subsidiary of the Parent Company upon acquisition by the latter of the 50% equity shareholdings from MGen for ₱115.00 million, which remained unpaid as of December 31, 2020. As of the same date, SRPGC has started the pre-construction work.

9. Property, Plant and Equipment

	2020				
	Mining Properties and Mining Equipment	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
Cost					
At January 1	**₱34,500,457,084**	**₱3,324,509,139**	**₱846,946,929**	**₱963,520,458**	**₱39,635,433,610**
Additions	**2,603,101,850**	**–**	**–**	**275,571,587**	**2,878,673,437**
Reclassification (Note 6)	**–**	**–**	**–**	**–**	**–**
Disposals	**(64,610,303)**	**–**	**–**	**(564,278,112)**	**(628,888,415)**
Adjustment (Note 14)	**(267,884,424)**	**–**	**–**	**–**	**(267,884,424)**
At December 31	**36,771,064,207**	**3,324,509,139**	**846,946,929**	**674,813,933**	**41,617,334,208**
Accumulated Depreciation and Impairment					
At January 1	**26,227,826,177**	**2,045,362,268**	**637,173,378**	**–**	**28,910,361,823**
Depreciation and amortization (Notes 6, 19 and 20)	**3,283,552,335**	**196,527,096**	**56,981,801**	**–**	**3,537,061,232**
Disposals	**(64,610,303)**	**–**	**–**	**–**	**(64,610,303)**
At December 31	**29,446,768,209**	**2,241,889,364**	**694,155,179**	**–**	**32,382,812,752**
Net Book Value	**₱7,324,295,998**	**₱1,082,619,775**	**₱152,791,750**	**₱674,813,933**	**₱9,234,521,456**

	2019				
	Mining Properties and Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost					
At January 1	₱31,250,315,167	₱3,324,509,139	₱846,946,929	₱1,125,590,626	₱36,547,361,861
Additions	3,264,031,744	–	–	64,106,189	3,328,137,933
Reclassification (Note 6)	43,453,933	–	–	(226,176,357)	(182,722,424)
Disposals	(22,659,548)	–	–	–	(22,659,548)
Write-down	(118,405,879)	–	–	–	(118,405,879)
Adjustment (Note 14)	83,721,667	–	–	–	83,721,667
At December 31	34,500,457,084	3,324,509,139	846,946,929	963,520,458	39,635,433,610
Accumulated Depreciation					
At January 1	₱22,227,181,863	₱1,841,875,676	₱580,191,576	₱–	₱24,649,249,115
Depreciation and amortization (Notes 6, 19 and 20)	4,058,174,155	203,486,592	56,981,802	–	4,318,642,549
Write-down (Note 20)	(22,659,548)	–	–	–	(22,659,548)
Disposals	(34,870,293)	–	–	–	(34,870,293)
At December 31	26,227,826,177	2,045,362,268	637,173,378	–	28,910,361,823
Net Book Value	₱8,272,630,907	₱1,279,146,871	₱209,773,551	₱963,520,458	₱10,725,071,787

Outstanding liabilities pertaining to property, plant and equipment purchased on account are recorded in the statements of financial position under 'Trade and other payables' account, amounting to ₱174.10 million as of December 31, 2019 (nil as of December 31, 2020, see Note 11).

'Mining properties and mining equipment' include expected costs for decommissioning and rehabilitation of mine sites and dismantling of mining machineries and conveyor belts at the end of the mining operations. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 14).

'Mining properties and mining equipment' also includes the stripping activity assets amounting to ₱5,160.28 million and ₱4,388.74 million as of December 31, 2020 and 2019, respectively (see Note 3).

Equipment in transit and construction in progress pertain mainly to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2020 and 2019. In 2020 , Parent Company sold its marine vessels included under "Equipment in Transit and Construction in Progress" and "Mine Properties, Mining Tools and Other Equipment" to DMC- CERI for ₱620.58 million, of which ₱84.69 million remained uncollected as of December 31, 2020 (see Note 17). In 2019, the Parent Company sold various mining equipment for ₱12.00 million. Gain recognized from these sales amounted to ₱56.30 million and ₱12.00 million in 2020 and 2019, respectively, and is presented under 'Other income (expense) - net' in the parent company statements of comprehensive income.

In 2019, the Parent Company incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (nil in 2020, see Note 20). In relation to the dismantling, the recovered parts and construction supplies in the amount of ₱182.72 million that are still usable were transferred to 'Inventories' in the parent company statements of financial position (nil in 2020, see Note 6).

Depreciation and amortization included in the parent company statements of comprehensive income and capitalized as cost of 'Inventories' and 'Property, plant and equipment' follow:

	2020	2019
Included under:		
Inventories (Note 6)	**₱240,589,116**	₱352,095,832
Mine properties, mining tools and other Equipment	**261,445,280**	56,712,527
Cost of sales (Note 19):		
Depreciation and amortization	**2,950,688,254**	3,847,038,604
Hauling and shiploading costs	**61,458,508**	39,455,398
Operating expenses (Note 20)	**46,483,558**	46,913,074
	₱3,560,664,716	₱4,342,215,435
Depreciation and amortization of:		
Property, plant and equipment	**₱3,537,061,232**	₱4,318,642,549
Right-of-use assets (Note 23)	**12,858,768**	11,996,017
Software costs (Note 10)	**10,744,716**	11,576,869
	₱3,560,664,716	₱4,342,215,435

Depreciation and amortization of 'Property, plant and equipment' includes amortization of stripping activity asset of ₱3.32 million and ₱0.30 million in 2020 and 2019, respectively.

10. Other Noncurrent Assets

	2020	2019
Advances to suppliers and contractors	**₱10,315,418**	₱143,138,439
Computer software	**9,620,423**	15,802,660
Environmental guarantee fund (Note 27)	**1,500,000**	1,500,000
Claims for refunds and tax credits	**–**	77,253,245
Others	**13,459,390**	14,063,566
	₱34,895,231	₱251,757,910

Advances to suppliers and contractors
Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of an item of property, plant and equipment.

Computer software
Movements in computer software account follow:

	2020	2019
At Cost		
At January 1	**₱74,042,085**	₱63,716,032
Additions	**4,562,479**	10,326,053
At December 31	**78,604,564**	74,042,085
Accumulated Amortization		
At January 1	**58,239,425**	46,662,556
Amortization (Notes 9, 19 and 20)	**10,744,716**	11,576,869
At December 31	**68,984,141**	58,239,425
	₱9,620,423	₱15,802,660

Claims for refunds and tax credits - net
This amount pertains to claim for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT exempt coal sales which were ruled by the Supreme Court in favor of the Parent Company. In 2020 and 2019, the Parent Company received refund from BIR amounting to ₱77.25 million and ₱97.96 million, respectively, related to these claims). The balance as of December 31, 2020 and 2019 is presented net of previously recognized allowance for impairment losses amounting to ₱15.29 million.

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-party Monitoring Team of the Parent Company's environmental unit.

Others
Others include various types of deposits which are recoverable over more than one (1) year.

11. Trade and Other Payables

	2020	2019
Trade:		
Payable to suppliers and contractors	**₱4,688,837,604**	₱3,948,005,316
Related parties (Note 17)	**253,844,261**	155,365,143
Payable to Department of Energy (DOE) and local government units (LGU) (Note 25)	**1,034,079,245**	855,901,861
Accrued expenses and other payables	**98,096,616**	87,396,198
	₱6,074,857,726	₱5,046,668,518

Trade payables to suppliers and contractors
Trade payable to suppliers and contractors arises from progress billing of completed work as of cut-off period. The amount includes liabilities amounting to ₱2,187.08 million ($45.54 million) and ₱1,779.67 million ($35.14 million) as of December 31, 2020 and 2019, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies (see Notes 27 and 29).

Trade payables are noninterest-bearing and are normally settled on 30 to 360-day credit terms.

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 25).

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2020	2019
Interest (Notes 12 and 13)	**₱36,207,959**	₱26,837,403
Taxes, permits and licenses	**27,517,384**	19,743,992
Salaries and wages	**21,109,364**	17,360,704
Association dues	**12,068,855**	12,833,370
Dividends	**1,193,054**	1,220,121
Professional fees	–	7,160,608
Rental	–	2,240,000
	₱98,096,616	₱87,396,198

Accrued expenses and other payables are noninterest-bearing and are normally settled within the next 12 months.

12. Short-term Loans

Rollforward analyses of this account are as follows:

	2020	2019
Balance at beginning of year	**₱–**	₱2,250,000,000
Additional borrowings	**2,000,000,000**	21,550,000,000
Payments	–	(23,800,000,000)
Balance at end of year	**₱2,000,000,000**	₱–

Short-term loans from local banks bear interest rates of 4.50% and 3.85% to 5.90%, in 2020 and 2019, respectively, and are used primarily to finance the Parent Company's capital expenditures and working capital requirements.

Interest expense on these short-term loans recognized under 'Finance cost' amounted to ₱74.25 million and ₱335.51 million in 2020 and 2019, respectively (see Note 21).

13. Long-term Debt

This account consists of:

	2020	2019
Principal	**₱3,875,000,000**	₱4,900,000,000
Less unamortized deferred financing cost	**21,744,945**	–
	3,853,255,055	4,900,000,000
Less current portion of long-term debt	**490,910,849**	2,425,000,000
	₱3,362,344,206	₱2,475,000,000

Local bank loans

Details of the bank loans follow (see Note 27):

Loan Type	Year of Availment	Outstanding Balance 2020	Outstanding Balance 2019	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 1	2020	**₱1,400,000,000**	₱–	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one-half of one percent (0.5%)	Payable in 25 equal quarterly installment payments; amount of installment - Php56 million	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Peso loan 2	2019	**2,475,000,000**	2,750,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 years	Interest payable every 3 months, Principal to be paid every 3 months	Debt to equity ratio (DER) of not greater than 70:30, a post dividend debt service ratio (DSCR) of 1.1x.
Peso loan 3	2017	–	1,400,000,000	2020	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one-half of one percent (0.5%)	Interest payable every 3 months, principal to e paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Peso loan 4	2017	–	750,000,000	2020	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to e paid on maturity date	None
		₱3,875,000,000	₱4,900,000,000				

The movements in unamortized debt issue cost as of December 31, 2020 (nil as of December 31, 2019) follow:

Addition during the year	31,125,000
Amortization (Note 21)	(9,380,055)
Balance at end of year	₱21,744,945

All bank loans are clean and are compliant with loan covenants.

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱201.73 million and ₱21.31 million in 2020 and 2019, respectively (see Note 21).

The remaining borrowing facility that can be drawn as of December 31, 2020 and 2019 amounted to ₱9,437.15 million and ₱18,734.63 million, respectively.

The principal maturities of long-term debt as of December 31, 2020 and 2019 follow:

	2020	2019
Due in:		
2020	**₱–**	₱2,425,000,000
2021	**499,000,000**	275,000,000
2022	**1,736,500,000**	1,512,500,000
2023-2027	**1,639,500,000**	687,500,000
	₱3,875,000,000	₱4,900,000,000

14. **Provision for Decommissioning and Mine Site Rehabilitation**

	2020	2019
At January 1	**₱500,085,766**	₱402,476,406
Effect of changes in estimates (Note 9)	**(267,884,424)**	83,721,667
Accretion of interest (Note 21)	**22,323,740**	28,431,619
Actual rehabilitation	**–**	(14,543,926)
At December 31	**₱254,525,082**	₱500,085,766

This provision has been established based on the Parent Company's internal estimates. Discount rates used by the Parent Company to compute for the present value of liability for decommissioning and mine site rehabilitation cost was 2.99% in 2020 and 4.46% to 8.58% in 2019. Assumptions based on current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future coal prices, which are inherently uncertain.

There are currently two (2) mine sites identified with coal deposits. However, starting March 2019, Narra was non-operational to continue the implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. The Panian mine site has been depleted and its operation was closed in September 2016. All mine sites are located in Semirara Island in Antique Province.

The Parent Company revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to (₱267.88 million) and ₱83.72 million, which was recognized as adjustment to 'Mine properties and mining equipment' under property, plant and equipment account in 2020 and 2019, respectively (see Note 9).

15. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2020 and 2019 are as follow:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	₱4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

On November 28, 1983, the SEC approved the issuance and public offering of 55,000.00 million common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1,000.00 million to ₱3,000.00 million divided into 3,000.00 million common shares with a par value of ₱1.00 per share.

On February 23, 2017, the SEC approved the increase in authorized capital stock of the Parent Company from ₱3,000.00 million to ₱10,000.00 million divided into 10,000.00 million common shares with a par value of ₱1.00 per share.

Treasury shares

On December 7, 2017, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 2,000 million shares (or equivalent amount of ₱2,000.00 million) beginning December 8, 2017. As of December 31, 2020 and 2019, the Parent Company has bought-back a total of 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the parent company statements of financial position.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	₱356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	1,068,750,000			677
Add: Movement	(3,463,570)		August 15, 2016	16
December 31, 2016	1,065,286,430			693
Add: Stock dividends	3,195,859,290		February 23, 2018	–
Add: Movement	(2,735,100)		December 7, 2018	1
December 31, 2017	4,258,410,620			694
Add: Movement	(7,863,000)		December 7, 2018	15
December 31, 2018	4,250,547,620			709
Add: Movement	–			22
December 31, 2019	4,250,547,620			731
Add: Movement	–			–
December 31, 2020	4,250,547,620			731

16. Retained Earnings

As of December 31, 2020 and 2019, retained earnings amounted to ₱20,167.67 million and ₱20,194.34 million, respectively.

The Parent Company's retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury, deferred tax asset and net unrealized foreign exchange loss recognized in profit or loss as of December 31, 2020 and 2019.

The Parent Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to ₱14,334.0 million and ₱14,288.07 million, respectively.

Cash Dividends

On February 28, 2020, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of March 13, 2020 and payable on March 27, 2020.

On March 18, 2019, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of April 2, 2019. The said cash dividends were paid on April 26, 2019.

Appropriations

The remaining appropriations as of December 31, 2020 and 2019 amounting to ₱5,300.00 million were retained for the continuing capital expenditures for the coal mining operations and ongoing power plant expansion projects which are expected to be completed by 2023. This is after the reversal of ₱4,000.00 million, representing the costs of equipment procured for mine site operations in 2019. This also includes, the 2013 appropriations of ₱1,600.00 million and ₱700.00 million for the power generation and coal mining operations, respectively, retained for the continuing capital expenditure for the power and coal mining segment.

On February 23, 2017, the BOD approved the appropriation of ₱4,500.00 million from the unappropriated retained earnings as of December 31, 2016 for other investments of the Parent Company. This appropriation is intended for the ongoing power expansion project which are expected to be completed by 2023.

On November 8, 2016, the BOD approved the appropriation of ₱2,500.00 million from the unappropriated retained earnings as of December 31, 2015 as additional capital expenditure for the Phase 2 Power Plant expansion project of SRPGC which is expected to be completed in 2021.

On August 8, 2013, the BOD approved the appropriation of ₱1,600.00 million from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Parent Company which are expected to be completed by 2021.

On March 12, 2013, the BOD ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Parent Company's mine operations.

17. Related Party Transactions

The Parent Company in its regular conduct of business has entered into transactions with related parties. Related parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Parent Company has affiliates under common control of DHI and Dacon Corporation.

The significant transactions with related parties follow:

		2020			
		Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	**₱4,446,906,084**	**₱1,357,731,193**	**30 days, noninterest-bearing**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	**15,903,411**	**668,528,769**	**Noninterest-bearing, due and demandable**	**Unsecured, has impairment provision***
Entities under common control					
Coal sales	(a)	**88,883,308**	**38,709,058**	**30 days, noninterest-bearing**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	**49,473,154**	**116,129,441**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
			₱2,181,098,461		

(Forward)

		2020			
		Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables (Note 11)					
Entities under common control					
Construction and other outside services	(d)	**₱33,039,362**	**(₱94,214,571)**	**30 days for monthly billings and portion after expiration of retention period, noninterest-bearing**	**Unsecured**
Mine exploration, rental and marine vessel operation and management	(e)	**(128,030,142)**	**(128,030,142)**	**30 days noninterest-bearing**	**Unsecured**
Office, parking and warehouse rental expenses	(f)	**(449,355)**	**(832,859)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	(g)	**(4,794,885)**	**(27,239,435)**	**30 days, noninterest-bearing**	**Unsecured**
Arrastre and cargo services	(h)	**(1,620,561)**	**–**	**30 days, noninterest-bearing**	**Unsecured**
Purchases of office supplies, raw materials and refreshments	(i)	**135,341**	**(3,527,254)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱253,844,261)		

**Includes ₱200.05 million receivables from SCI which has been fully provided with allowance for doubtful accounts.*

		2019			
		Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	₱3,469,224,597	₱1,014,129,488	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	18,170,634	863,879,513	Noninterest-bearing, due and demandable	Unsecured, has impairment provision*
Entities under common control					
Coal sales	(a)	29,992,618	29,992,618	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	170,635,690	66,656,287	Noninterest-bearing, due and demandable	Unsecured, no impairment
			₱1,974,657,906		
Trade payables (Note 11)					
Entities under common control					
Construction and other outside services	(d)	₱25,862,291	(₱127,253,933)	30 days for monthly billings and portion after expiration of retention period, noninterest-bearing	Unsecured
Mine exploration, rental and marine vessel operation and management	(e)	(128,505,310)	–	30 days noninterest-bearing	Unsecured
Office, parking and warehouse rental expenses	(f)	(6,221,593)	(383,504)	30 days, noninterest-bearing	Unsecured
Aviation services	(g)	(3,360,450)	(22,444,550)	30 days, noninterest-bearing	Unsecured
Arrastre and cargo services	(h)	–	(1,620,561)	30 days, noninterest-bearing	Unsecured
Purchases of office supplies, raw materials and refreshments	(i)	(10,710,601)	(3,662,595)	30 days, noninterest-bearing	Unsecured
			(₱155,365,143)		

**Includes ₱200.05 million receivables from SCI which has been fully provided with allowance for doubtful accounts.*

a. The Parent Company has entered into purchase commitment with SCPC for the supply of coal. On December 22, 2011, the Parent Company renewed the contract agreement wherein the Parent Company shall supply and SCPC shall purchase minimum volume of 1,100,000 metric tons +/- 10% up to the maximum quantity of 2,400,000 MT of coal that shall take effect from July 1, 2011 until December 31, 2021. Further, both parties agreed on the amendment of Semirara coal specification, pricing, and price adjustments.

The Parent Company has entered also into purchase commitment with SLPGC for the supply of coal. The agreement will be effective up to 10 years from March 1, 2016. The Parent Company shall supply and SLPGC shall purchase minimum volume of 525,000 MT +/- 10% up to maximum quantity of 1,050,000 MT of coal. Further, both parties agreed on the amendment of Semirara coal specification, pricing, and price adjustments.

The Parent Company has coal sales to DMCI Masbate Power Corporation (DMPC), an entity under common control of DMCI-HI, intended for DMPC's thermal-fired power plant.

The receivables from coal sales are included in receivables under 'Trade receivables - related parties' in the parent company statements of financial position (see Note 5).

b. Services rendered, deliveries of goods and reimbursement of pre-operating expenses advanced by the Parent Company to its subsidiaries. These include contracted services, licenses, permit fees, notarial fees, documentary stamp taxes, transfer of materials and other operating expenses.

c. Deliveries of goods and materials, services rendered, and reimbursement of shared expenses advanced by the Parent Company to its affiliates. These include contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

d. D.M. Consunji, Inc. (DMCI) had transactions with the Parent Company representing rentals of building and equipment and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in 'Outside services' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 19).

   The Parent Company engaged the services of DMCI for the construction of its 1x15 MW Power Plant located at Semirara Island to which the related cost are capitalized as part of property, plant and equipment in the parent company statements of financial position. The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in 'Outside services' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 19).

e. DMC-Construction Equipment Resources, Inc. (DMC-CERI) had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in 'Outside services' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 19).

   DMC-CERI also provides service requirements needed by the Parent Company to operate and maintain barges, vessels and tugboats for the purpose of transporting coal. This is inclusive of full and complete supervision of all employees and personnel assigned to perform such services. It also covers hauling and transportation of spare parts, materials, sand and gravel and other cargoes for its use at its coal operation. Expenses incurred for these services are included in 'Hauling and shiploading costs' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 19).

Effective 2018, the Parent Company amended its Operations and Maintenance agreement with DMC-CERI wherein, DMC-CERI will be credited for all the despatch for the early loading and unloading of coal cargos in the Semirara Port. In addition, demurrage charges shall be charged to the account of DMC-CERI or the customer on the basis of who is at fault to cause the laytime delay.

Furthermore, DMC-CERI provides labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in 'Direct labor' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 19).

Labor costs related to manpower services rendered by DMC-CERI represent salaries and wages of personnel, including consultants, incurred in rendering services to Parent Company in its coal operations. Under existing arrangements, payments of salaries and wages are given directly to personnel concerned. Expenses incurred for said services are included in 'Direct labor' under 'Cost of Sales' in the parent company statements of comprehensive income (see Note 19).

In 2020, marine vessels were sold to DMC-CERI for ₱620.58 million, of which ₱84.69 million remained uncollected as of December 31, 2020. Gain recognized from this transaction amounted to ₱56.30 million (see Note 9).

f. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on land, warehouse space and other transactions necessary for the coal operations. Rental expenses on warehouse space are included in cost of sales under 'Outside services', while payments related to lease of land are accounted as reduction to lease liabilities upon adoption of PFRS 16 (see Notes 19 and 23).

g. Royal Star Aviation Inc. provides maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the mine site. The related expenses are included in cost of sales under 'Production overhead' in the parent company statements of comprehensive income (see Note 19).

h. In 2019, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services (nil in 2020).

i. Transactions with other affiliates pertain to supply various raw materials, office supplies and refreshments.

Others
On February 4, 2012, SLPGC entered into a ₱11,500.00 million Omnibus Agreement with BDO, BPI and China Banking Corporation as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, 67% of the issued and outstanding shares of SLPGC owned by the Parent Company were pledged for this loan. On November 25, 2019, the Omnibus Agreement was pre-terminated, releasing SLPGC on all related security arrangements.

Terms and conditions of transactions with related parties
Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Parent Company has approval process and established limits when entering into material related party transactions.

There have been no guarantees or collaterals provided or received for any related party receivables or payables. These accounts are non-interest bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2020 and 2019, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Parent Company amounted to ₱66.96 million and ₱122.13 million in 2020 and 2019, respectively.

There are no other agreements between the Parent Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's pension plan.

18. Pension Plan

The Parent Company has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is as of December 31, 2020. Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The Parent Company accrues retirement costs (included in 'Pension liabilities' in the parent company statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit liability and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for net pension liability are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2020 and 2019.

The cost of defined benefit pension plans and the present value of the net pension liability are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2020	2019
Discount rate	**3.72%**	5.54%
Salary increase rate	**3.00%**	3.00%
Weighted average duration of defined benefit obligation	**5.7 years**	4.6 years

The following table summarizes the components of pension expense in the parent company statements of comprehensive income:

	2020	2019
Current service cost	**₱43,259,992**	₱28,442,251
Interest expense related to defined benefit liability	**19,100,950**	17,336,122
Interest income related to plan assets	**(3,858,240)**	(5,355,656)
	₱58,502,702	₱40,422,717

The above pension expense is included in 'Direct labor' under cost of sales and 'Personnel costs' under operating expenses in the parent company statements of comprehensive income (see Notes 19 and 20).

The following tables provide analyses of the movement in the net pension liability recognized on parent company statements of financial position:

	2020	2019
Defined benefit liability at beginning of year	**₱344,782,484**	₱225,144,445
Current service cost	**43,259,992**	28,442,251
Interest expense	**19,100,950**	17,336,122
Remeasurement losses (gains) of arising from:		
Changes in financial assumptions	**36,823,002**	30,126,528
Experience adjustments	**(27,831,085)**	51,022,152
Benefits paid from plan assets	**(6,789,263)**	–
Benefits directly paid by the Parent Company	**(10,317,276)**	(7,289,014)
Defined benefit liability at end of year	**₱399,028,804**	₱344,782,484

	2020	2019
Fair value of plan assets at beginning of year	**₱73,037,944**	₱69,553,974
Remeasurement losses arising from return on plan assets	**271,893**	(1,871,686)
Interest income	**3,858,240**	5,355,656
Benefits paid from plan assets	**(6,789,263)**	–
Fair value of plan assets at end of year	**₱70,378,814**	₱73,037,944

	2020	2019
Net pension liability at beginning of year	**₱271,744,540**	₱155,590,471
Net pension expense	**58,502,702**	40,422,717
Remeasurement losses recognized in OCI	**8,720,024**	83,020,366
Benefit payments	**(10,317,276)**	(7,289,014)
Net pension liability at end of year	**₱328,649,990**	₱271,744,540

The Parent Company does not expect any contribution into the pension fund for the next 12 months.

The composition and fair value of plan assets as at the end of reporting date are as follow:

	2020	2019
Cash and cash equivalents	**₱–**	₱2,690,623
Equity instruments		
Financial institutions	**295,591**	1,650,991
Debt instruments		
Government securities	**58,935,219**	59,147,376
Unquoted debt securities	**10,789,072**	8,896,349
Receivables	**358,932**	652,605
Fair value of plan assets	**₱70,378,814**	₱73,037,944

Trust fee in 2020 and 2019 amounted to ₱33,464 and ₱35,877, respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas.

- *Investment in equity securities* - includes investment in common and preferred shares of financial institute and real estate traded in the Philippine Stock Exchange.

- *Investment in debt securities - government securities* - includes investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.

- *Investments in unquoted debt securities* includes investment in long-term debt notes and retail bonds.

- *Receivables* pertain to interest and other receivables on the investments in the fund.

The management performs a study of how to match its existing assets versus the net pension liability to be settled. The overall investment policy and strategy of the Parent Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Parent Company's current guiding strategic investment strategy consists of 99% and 93% of debt instruments, 0% and 2% of equity instruments, 1% and 5% of others as of December 31, 2020 and 2019, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Increase (decrease) in DBO	
		2020	2019
Discount rates	+1%	**₱21,264,431**	(₱14,854,046)
	-1	**24,188,718**	16,688,394
Future salary increases	+1%	**24,119,232**	16,950,705
	-1	**(21,600,504)**	(15,339,913)

Shown below is the maturity analysis of the undiscounted benefit payments up to 10 years:

	2020	2019
Less than 1 year	**₱193,267,305**	₱173,926,249
More than 1 year to 5 years	**97,862,466**	108,042,816
More than 5 years to 10 years	**123,158,558**	145,158,560
	₱414,288,329	₱427,127,625

19. Cost of Sales

Cost of sales consists of:

	2020	2019
Cost of coal (Note 6)		
Materials and supplies	**₱4,626,791,241**	₱5,687,530,347
Fuel and lubricants	**3,939,777,970**	5,375,065,729
Depreciation and amortization (Notes 9, 10 and 23)	**3,237,748,518**	3,847,038,604
Direct labor (Notes 17 and 18)	**1,361,733,559**	1,518,266,591
Production overhead (Note 17)	**713,212,988**	1,772,374,719
Outside services (Note 17)	**677,018,463**	1,351,414,442
	14,556,282,739	19,551,690,432
Hauling and shiploading costs (Notes 9 and 17)	**756,164,083**	508,651,388
	₱15,312,446,822	₱20,060,341,820

20. Operating Expenses

	2020	2019
Government share (Note 25)	**₱1,813,594,427**	₱3,927,055,360
Personnel costs (Note 18)	**199,636,486**	289,484,156
Office expenses	**70,629,068**	70,039,483
Depreciation and amortization (Notes 9, 10 and 23)	**46,483,558**	46,913,074
Professional fees	**45,479,218**	53,047,616
Entertainment, amusement and recreation	**17,456,781**	13,095,789
Transportation and travel	**14,296,075**	16,983,182
Taxes and licenses	**5,444,993**	6,843,276
Write-down of property, plant and equipment (Note 9)	**–**	83,535,586
Provision for impairment loss (Notes 3, 5 and 7)	**–**	82,939,079
Others	**4,953,911**	32,613,179
	₱2,217,974,517	₱4,622,549,780

21. Finance Costs

	2020	2019
Interests on:		
Long-term debt (Note 13)	**₱201,729,842**	₱21,313,569
Short-term loans (Note 12)	**74,250,000**	335,507,543
Accretion of cost of decommissioning and mine site rehabilitation (Note 14)	**22,323,740**	28,431,619
Amortization of debt issuance cost (Note 13)	**9,380,055**	–
Lease liabilities (Note 23)	**5,498,446**	4,994,610
Bank charges	**44,698,677**	144,653,140
	₱357,880,760	₱534,900,481

22. Finance Income

	2020	2019
Interests on (Note 4):		
Cash equivalents	**₱2,260,539**	₱7,985,008
Cash in banks	**19,633,611**	15,787,646
	₱21,894,150	₱23,772,654

23. Leases

Parent Company as a lessee

The Parent Company has lease contracts for various items of land at the mine site and office spaces used in its operations. Leases of land generally have lease terms between 10 to 20 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Parent Company also has certain leases of warehouse and office spaces with lease terms of 12 months or less. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

On August 1, 2019, the Parent Company entered into a lease agreement of office spaces with a third-party lessor. The lease is for a period of five (5) years and one (1) month starting August 1, 2019 and ending on August 31, 2024, subject to a 10% annual escalation.

Set out below the movement in the Parent Company's right-of-use assets and lease liabilities in 2020 and 2019:

	Right-of-use Assets	
	2020	2019
At Cost		
Beginning balance	**₱82,288,057**	₱77,937,482
Additions	**727,011**	4,350,575
Ending balance	**83,015,068**	82,288,057
Accumulated Amortization		
Beginning balance	**11,996,017**	–
Amortization (Notes 19 and 20)	**12,858,768**	11,996,017
Ending balance	**24,854,785**	11,996,017
	₱58,160,283	₱70,292,040

	Lease Liabilities	
	2020	2019
Beginning balance	**₱72,865,392**	₱77,937,482
Additions	**727,011**	4,350,575
Accretion of interest (Note 21)	**5,498,446**	4,994,610
Lease payments	**(16,302,331)**	(14,417,275)
Ending balance	**62,788,518**	72,865,392
Less current portion of lease liabilities	**11,797,894**	10,571,927
Noncurrent portion of lease liabilities	**₱50,990,624**	₱62,293,465

In 2020 and 2019, rent expense recognized from short-term leases amounting to ₱3.12 million and ₱13.25 million was included under 'Cost of Sales' and 'Operating Expenses' in the parent company statements of comprehensive income (see Notes 19 and 20).

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Parent Company's weighted average incremental borrowing rate of 3.20% and 7.65% in 2020 and 2019.

As of December 31, 2020 and 2019, future minimum lease payments under operating leases are as follows:

	2020	2019
Within one year	**₱16,364,848**	₱15,897,522
After one year but not more than 5 years	**49,824,266**	60,801,417
More than 5 years	**10,022,752**	15,034,128
	₱76,211,866	₱91,733,067

24. Income Tax

Benefit from income tax consists of:

	2020	2019
Current	**₱11,823,607**	₱4,387,782
Deferred	**8,188,387**	(68,259,267)
Final	**4,009,064**	4,803,971
	₱24,021,058	(₱59,067,514)

The reconciliation of the statutory income tax rate to the effective income tax rate shown in the parent company statements of comprehensive income follows:

	2020	2019
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Nondeductible expense	**0.06**	0.58
Tax-exempt income	**(29.60)**	(31.38)
Interest income subjected to final tax - net of nondeductible interest expense	**(0.01)**	–
Effective income tax rate	**0.45%**	(0.80%)

The Parent Company has the following net deferred tax assets as of December 31, 2020 and 2019:

	2020	2019
Deferred tax assets on:		
Pension expense (Note 18)	**₱99,683,879**	₱82,612,244
Allowance for impairment losses (Notes 7 and 10)	**29,469,340**	29,469,340
Allowance for doubtful accounts (Note 5)	**22,449,085**	22,449,085
Unrealized foreign exchange losses	**20,621,301**	41,786,655
Allowance for inventory obsolescence (Note 6)	**18,453,577**	20,218,166
Lease liabilities (Note 23)	**14,852,337**	17,324,410
	205,529,519	213,859,900
Deferred tax liability on right-of-use assets (Note 23)	**(14,128,665)**	(16,886,665)
	₱191,400,854	₱196,973,235

The movements in net deferred tax assets in 2020 and 2019 are as follows:

	2020	2019
January 1	**₱196,973,235**	₱103,807,858
Charged to profit or loss	**(8,188,387)**	68,259,267
Charged to other comprehensive income	**2,616,006**	24,906,110
December 31	**₱191,400,854**	₱196,973,235

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Parent Company did not recognize deferred tax assets on NOLCO since management believes that it may not be reasonably probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.

NOLCO, for which the Parent Company did not recognize deferred tax assets, amounting to ₱1,809.07 million have expired in 2019 (nil in 2020).

Board of Investments (BOI) Incentives

On August 31, 2012 and February 24, 2016, the BOI granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra mine site (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2016-042).

Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificate of Registrations, among others:

a. ITH for four (4) years from January 2017 for both Narra mine site and Molave mine site or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three years of operation; and,the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 201-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱978.88 million and ₱2,323.04 million in 2020 and 2019, respectively.

25. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 thereby: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production; and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15 years or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the contract area in Caluya Islands was expanded and the COC was amended further to include an additional area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Parent Company, granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Parent Company.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

Royalty dues for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1,813.59 million and ₱3,927.06 million in 2020 and 2019, respectively, included under 'Operating expenses' in the parent company statements of comprehensive income (see Note 20). The related payable to DOE and LGU, amounting to ₱1,034.08 million and ₱855.90 million as of December 31, 2020 and 2019, is included under the 'Trade and other payables' account in the parent company statements of financial position (see Note 11).

26. Contingencies and Commitments

a. Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, the Parent Company requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Parent Company under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Parent Company as merely a collecting agent (the Parent Company collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Parent Company is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Parent Company, if any, are uncertain as of December 31, 2020 and 2019 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. DOE Resolution on Violation of Accreditation of Coal Traders

On May 23, 2019, the trial shipment of 4,768.737 MT of the Parent Company was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Parent Company received an Order dated June 4, 2019 from the DOE directing the Parent Company to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of the Parent Company is suspended until further notice.

On July 5, 2019, the Parent Company filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Parent Company wrote the DOE requesting deferment of the that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Parent Company to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Parent Company should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Parent Company received the DOE Resolution dated October 15, 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to the Parent Company-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Parent Company.

On January 3, 2020, the Parent Company received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Parent Company filed on January 10, 2020.

As of March 3, 2021, the case is presently pending for decision with the DOE.

c. DOE Suspension of Mining Activities

On October 2, 2019, a mudflow incident in the Molave Pit South Wall transpired. On October 11, 2019, the Parent Company submitted to the DOE its Final Report on said incident.

Thereafter, on November 19, 2019, the DOE issued an Order dated November 14, 2019 suspending all mining activities at the site until compliance with certain conditions (hereafter 'DOE Order').

In a series of submissions on November 25, 29 and December 6, 2019, the Parent Company submitted to the DOE a request to lift the suspension of mining operations and a list of compliances to the conditionalities required by the latter.

On December 26, 2019, the DOE, in a letter dated December 23, 2019, lifted the suspension order as the Parent Company substantially complied with the conditions for the lifting. As of December 31, 2019, all liquefiable materials in the concerned area have been removed and a Safety Consultant has been hired. Consequently, all mining operations at the mine site has resumed.

d. Contingencies

The Parent Company is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the parent company financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

See significant judgments and estimates disclosures in Note 3.

27. Financial Risk Management Objectives and Policies

The Parent Company has various financial assets such as cash and cash equivalents, receivables and environmental guarantee fund, which arise directly from operations.

The Parent Company's financial liabilities comprise trade and other payables, short-term loans, lease liabilities and long-term debt. The main purpose of these financial liabilities is to raise finance for the Parent Company's operations. The main risks arising from the Parent Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - annual movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant parent company statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2019 and 2018.

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Parent Company can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Parent Company is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Parent Company's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits.

To mitigate this risk, the Parent Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs export). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin.

The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, foreign exchange rates).

Below are the details of the Parent Company's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2020	2019
Domestic market	**44.87%**	31.51%
Export market	**55.13**	68.49

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Parent Company as of December 31 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2020 and 2019.

	Effect on income before income tax Increase (decrease)	
Change in coal price	**2020**	2019
Based on ending coal inventory		
Increase by 22% in 2020 and 27% in 2019	**₱501,215,811**	₱302,989,128
Decrease by 22% in 2020 and 27% in 2019	**(501,215,811)**	(302,989,128)
Based on coal sales volume		
Increase by 22% in 2020 and 27% in 2019	**4,745,718,121**	3,422,916,272
Decrease by 22% in 2020 and 27% in 2019	**(4,745,718,121)**	(3,422,916,272)

Interest rate risk

The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt with floating interest rates. The Parent Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Parent Company's policy is to maintain a balance of Philippine Peso-denominated and US$-denominated debts.

The following table shows the information about the Parent Company's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

	Interest	December 31, 2020 Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	**0.025% to 3.50%**	**₱5,659,013,141**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,659,013,141**
Peso long-term debt at floating rate							
a. ₱1,400.00 million loan	**Floating rate to be repriced every 3 months**	**₱221,653,358**	**₱222,014,512**	**₱222,395,026**	**₱222,792,205**	**₱502,869,060**	**₱1,391,724,161**
b. ₱2,750.00 million loan	**Fixed annual interest rate of 4.57% per annum to be repriced after 3 years**	**269,257,491**	**1,508,997,973**	**136,016,464**	**136,317,024**	**410,941,942**	**2,461,530,894**
		₱490,910,849	**₱1,731,012,485**	**₱358,411,490**	**₱359,109,229**	**₱913,811,002**	**₱3,853,255,055**

	Interest	December 31, 2019 Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	0.13% to 4.45%	₱3,239,846,367	₱–	₱–	₱–	₱–	₱3,239,846,367
Peso long-term debt at floating rate							
a. ₱1,400.00 million loan	Floating rate to be repriced every 3 months	₱1,400,000,000	₱–	₱–	₱–	₱–	₱1,400,000,000
b. ₱750.00 million loan	Floating rate to be repriced every 3 months	750,000,000	–	–	–	–	750,000,000
c. ₱2,750.00 million loan	Fixed annual interest rate of 4.57% per annum to be repriced after 3 years	275,000,000	275,000,000	1,512,500,000	137,500,000	550,000,000	2,750,000,000
		₱2,425,000,000	₱275,000,000	₱1,512,500,000	₱137,500,000	₱550,000,000	₱4,900,000,000

The following table demonstrates the sensitivity of the Parent Company's income before tax to a reasonably possible change in interest rates on December 31, 2020 and 2019, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax Increase (decrease)	
Basis points	**2020**	2019
+100	**(₱387,500)**	(₱490,000)
-100	**387,500**	490,000

The assumed movement in basis points for interest rate sensitivity analysis is based on the Parent Company's historical changes in market interest rates on bank loans.

There was no other effect on the equity other than those affecting the income before income tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash and cash equivalents and receivables. Although receivables are contractually collectible on a short-term basis, the Parent Company expects continuous cash inflows through continuous production and sale of coal. In addition, although the Parent Company's short-term investments are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Parent Company's financial assets and financial liabilities as of December 31, 2020 and 2019 based on contractual payments.

	2020					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 year to 3 years	More than 3 years	Total
Financial assets:						
Cash in banks and cash equivalents	₱5,659,013,141	₱–	₱–	₱–	₱–	₱5,659,013,141
Receivables:						
Trade:						
Outside parties	1,321,340,084	45,185,162	–	–	36,112,507	1,402,637,753
Related parties	1,409,269,925	571,782,327	–	–	200,046,209	2,181,098,461
Others[1]	73,433,787	–	–	–	5,815,359	79,249,146
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	₱8,463,056,937	₱616,967,489	₱–	₱–	₱243,474,075	₱9,323,498,501
Financial liabilities:						
Trade and other payables						
Trade:						
Suppliers and contractors	₱4,688,837,604	₱–	₱–	₱–	₱–	₱4,688,837,604
Related parties	253,844,261	–	–	–	–	253,844,261
Accrued expenses and other payables[2]	49,469,868	–	–	–	–	49,469,868
Short-term debt at fixed rate[3]	2,015,750,000	–	–	–	–	2,015,750,000
Lease liabilities[4]	8,182,424	8,182,424	16,088,634	16,198,750	27,559,634	76,211,866
Long-term debt at floating rate[5]						
₱1,400.00 million loan	145,487,179	143,196,928	277,387,600	266,091,093	786,881,107	1,619,043,907
₱2,750.00 million loan	192,696,904	190,399,581	1,577,772,806	166,041,839	600,466,864	2,727,377,994
	₱7,354,268,240	₱341,778,933	₱1,871,249,040	₱448,331,682	₱1,414,907,605	₱11,430,535,500

[1] excludes nonfinancial assets amounted to ₱15.35 million
[2] excludes statutory liabilities amounting to ₱48.63 million
[3] includes future interest payable amounting to ₱15.75 million
[4] includes future interest payable amounting to ₱13.42 million
[5] includes future interest payable amounting to ₱493.17 million

	2019					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 year to 3 years	More than 3 years	Total
Financial assets:						
Cash in banks and cash equivalents	₱3,239,846,367	₱–	₱–	₱–	₱–	₱3,239,846,367
Receivables:						
Trade:						
Outside parties	782,392,081	–	–	–	36,112,507	818,504,588
Related parties	1,774,611,697	–	–	–	200,046,209	1,974,657,906
Others[1]	31,023,030	–	–	–	5,815,359	36,838,389
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	₱5,827,873,175	₱–	₱–	₱–	₱243,474,075	₱6,071,347,250
Financial liabilities:						
Trade and other payables						
Trade:						
Suppliers and contractors	₱3,948,005,316	₱–	₱–	₱–	₱–	₱3,948,005,316
Related parties	155,365,143	–	–	–	–	155,365,143
Accrued expenses and other payables[2]	50,291,502	–	–	–	–	50,291,502
Lease liabilities[3]	7,948,761	7,948,761	15,988,528	16,088,633	43,758,384	91,733,067
Long-term debt at floating rate[4]						
₱1,400.00 million loan	1,407,373,333	–	–	–	–	1,407,373,333
₱750.00 million loan	14,812,500	757,406,250	–	–	–	772,218,750
₱2,750.00 million loan	140,644,625	140,644,625	287,578,500	1,581,681,750	718,946,250	2,869,495,750
	₱5,724,441,180	₱905,999,636	₱303,567,028	₱1,597,770,383	₱762,704,634	₱9,294,482,861

[1] *excludes advances for liquidation amounting to ₱25.16 million*
[2] *excludes statutory liabilities amounting to ₱37.10 million*
[3] *includes future interest payable amounting to ₱18.87 million*
[4] *includes future interest payable amounting to ₱149.09 million*

Foreign currency risk
Majority of revenues generated in 2020 and 2019 are in US$. Substantially all of capital expenditures in 2020 and 2019 are in US$.

The Parent Company manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 57.13% and 68.49% of the Parent Company's sales in 2020 and 2019, respectively, were denominated in US$ whereas approximately 17.29% and 15.74% of the debts as of December 31, 2020 and 2019, respectively, were denominated in US$.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2020		December 31, 2019	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets:				
Cash and cash equivalents	**$18,317,747**	**₱879,618,211**	$44,539,919	₱2,255,501,490
Trade receivables	**12,607,855**	**605,429,197**	3,935,590	199,298,266
Liabilities:				
Trade payables	**(45,542,533)**	**(2,186,952,435)**	(35,143,553)	(1,779,669,521)
Net assets (liabilities)	**($14,616,931)**	**(₱701,905,027)**	$13,331,956	₱675,130,235

The exchange rates used were ₱48.02 to $1 and ₱50.64 to $1 in 2020 and 2019, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities) in 2020 and 2019:

Reasonably possible change in Philippine Peso - US$ exchange rate		Increase (decrease) in income before income tax
2020	₱3	**(₱43,850,793)**
	(3)	**43,850,793**
2019	2	(26,663,912)
	(2)	26,663,912

There is no impact on the Parent Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Parent Company recognized net foreign exchange gain (realized and unrealized) amounting to ₱157.95 million for the year ended December 31, 2020 and net foreign exchange loss (realized and unrealized) amounting to ₱6.92 million for the year ended December 31, 2019, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables, trade payables and long-term debt.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Parent Company evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Parent Company's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant. The Parent Company generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Parent Company's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from other financial assets of the Parent Company, which comprise cash and cash equivalents, other receivables and environmental guarantee fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Parent Company does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Parent Company transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2020	2019
Trade receivables - related parties	**59.30%**	69.16%
Trade receivables - outside parties	**38.13**	28.67
Other receivables	**2.57**	2.17
	100.00%	100.00%

As of December 31, 2020 and 2019, the credit quality per class of financial assets is as follows:

	2020				
	Minimal Risk	**Average Risk**	**High Risk**	**Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱5,659,013,141**	**₱–**	**₱–**	**₱–**	**₱5,659,013,141**
Receivables:					
Trade receivables - related parties	**754,252,913**	**–**	**–**	**1,426,845,548**	**2,181,098,461**
Trade receivables - outside parties	**971,195,954**	**–**	**–**	**431,441,799**	**1,402,637,753**
Others*	**73,433,787**	**–**	**–**	**5,815,359**	**79,249,146**
Environmental guarantee fund	**1,500,000**	**–**	**–**	**–**	**1,500,000**
	₱7,459,395,795	**₱–**	**₱–**	**₱1,864,102,706**	**₱9,323,498,501**

**excludes nonfinancial assets amounting to ₱15.35 million.*

	2019				
	Minimal Risk	Average Risk	High Risk	Credit Impaired	Total
Cash and cash equivalents	₱3,243,914,367	₱–	₱–	₱–	₱3,243,914,367
Receivables:					
Trade receivables - related parties	1,512,500,271	–	–	462,157,635	1,974,657,906
Trade receivables - outside parties	628,857,201	–	–	189,647,387	818,504,588
Others*	31,023,030	–	–	5,815,359	36,838,389
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
	₱5,417,794,869	₱–	₱–	₱657,620,381	₱6,075,415,250

**excludes nonfinancial assets amounting to ₱25.16 million.*

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top 10 banks in the Philippines in terms of resources and profitability. These financial assets are classified as Minimal risk due to the counterparties' low probability of insolvency. Trade receivables - related parties are apportioned between Minimal risk and Credit impaired. Environmental guarantee fund is assessed as Minimal risk since this is deposited in a reputable bank, which has a low probability of insolvency.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The Parent Company classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Parent Company.

High risk - accounts with low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

In the Parent Company's assessment, there are no financial assets that will fall under this category due to the following reasons:

- Local sales - transactions were entered with reputable and creditworthy companies.
- Export sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Parent Company.

The tables below present the summary of the Parent Company's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	2020			
	12-month ECL	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱5,659,013,141**	**₱–**	**₱–**	**₱5,659,013,141**
Receivables:				
Trade receivables - related parties	–	**1,981,052,252**	**200,046,209**	**2,181,098,461**
Trade receivables - outside parties	–	**1,366,525,246**	**36,112,507**	**1,402,637,753**
Others	–	**88,780,776**	**5,815,359**	**94,596,135**
Environmental guarantee fund	**1,500,000**	–	–	**1,500,000**
	₱5,660,513,141	**₱3,436,358,274**	**₱241,974,075**	**₱9,338,845,490**

	2019			
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	3,243,914,367	₱–	₱–	₱3,243,914,367
Receivables:				
Trade receivables - related parties	–	1,774,611,697	200,046,209	1,974,657,906
Trade receivables - outside parties	–	782,392,081	36,112,507	818,504,588
Others	–	56,186,012	5,815,359	62,001,371
Environmental guarantee fund	1,500,000	–	–	1,500,000
	₱3,245,414,367	₱2,613,189,790	₱241,974,075	₱6,100,578,232

As of December 31, 2020 and 2019, the aging analyses of the Parent Company's past due and/or impaired receivables are as follows:

	2020			
	Past Due but not Impaired		**Impaired Financial Assets**	**Total**
	30 Days and Below	**More than 30 Days**		
Receivables:				
Trade receivables - outside parties	**₱311,763,827**	**₱83,565,465**	**₱36,112,507**	**₱431,441,799**
Trade receivables - related parties	**305,787,571**	**921,011,768**	**200,046,209**	**1,426,845,548**
Others	**–**	**–**	**5,815,359**	**5,815,359**
	₱617,551,398	**₱1,004,577,233**	**₱241,974,075**	**₱1,864,102,706**

	2019			
	Past Due but not Impaired		Impaired Financial Assets	Total
	30 Days and Below	More than 30 Days		
Receivables:				
Trade receivables - outside parties	₱146,337,901	₱7,196,979	₱36,112,507	₱189,647,387
Trade receivables - related parties	61,486,669	200,624,757	200,046,209	462,157,635
Others	–	–	5,815,359	5,815,359
	₱207,824,570	₱207,821,736	₱241,974,075	₱657,620,381

Capital Management

The primary objective of the Parent Company's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Parent Company manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Parent Company's capital ratios as of December 31, 2020 and 2019:

	2020	2019
Interest-bearing loans	**₱5,916,043,573**	₱4,972,865,392
Total equity	**30,265,835,961**	30,298,610,643
Debt-to-Equity ratio	**19.55%**	16.41%

The Debt-to-Equity ratio, expressed in percentage, is carefully matched with the strength of the Parent Company's financial position, such that when a good opportunity presents itself, the Parent Company can afford further leverage.

The Parent Company considers short-term loans and long-term debt as 'interest-bearing loans' in determining debt-to-equity ratio.

The following table shows the components of the Parent Company's capital as of December 31, 2020 and 2019:

	2020	2019
Total paid-up capital	₱10,940,136,701	₱10,940,136,701
Acquisition of treasury shares	(739,526,678)	(739,526,678)
Net remeasurement losses on pension plan	(102,446,078)	(96,342,060)
Retained earnings - unappropriated	14,867,671,016	14,894,342,680
Retained earnings - appropriated	5,300,000,000	5,300,000,000
	₱30,265,834,961	₱30,298,610,643

Earnings per Share (EPS)

	2020	2019
Net income	₱5,286,513,861	₱7,432,203,870
Divided by the weighted average number of common shares outstanding	4,250,547,620	4,250,547,620
Basic/Diluted Earnings per Share	₱1.24	₱1.75

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of the parent company financial statements.

The Parent Company is not subject to any externally imposed capital requirements.

28. Fair Values

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade and other payables, and short-term loans approximate their respective carrying values due to short-term nature of transactions.

Long-term debt and lease liabilities
The fair values approximated the carrying values because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions.

In 2020 and 2019, interest rate for long-term debt ranges from 2.66% to 2.76%. and 3.85% to 5.90%, respectively, while interest rate for lease liabilities is 3.42% to 4.56% and 7.64% to 7.66% in 2020 and 2019, respectively.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2020 and 2019, the Parent Company does not have financial instruments measured at fair value.

29. Notes to Parent Company Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2020	2019
Depreciation capitalized as coal inventory (Note 9)	**₱240,589,116**	₱352,095,832
Adjustment in property, plant and equipment due to change in estimate of provision in decommissioning and mine site rehabilitation costs (Notes 6 and 9)	**(267,884,424)**	83,721,667
Transfers from property, plant and equipment to inventories (Notes 9 and 14)	–	182,722,425
Write-down of property, plant and equipment (Notes 9 and 20)	–	83,535,586
Noncash additions to property, plant and equipment (Notes 9 and 11)	–	174,104,590

Changes in liabilities arising from financing activities are as follows:

	For the year ended December 31, 2020				
	January 1, 2020	**Net Cash flows**	**Foreign exchange movement**	**Others**	**December 31, 2020**
Short-term loans (Note 12)	**₱–**	**₱2,000,000,000**	**₱–**	**₱–**	**₱2,000,000,000**
Long-term debt (Note 13)	**4,900,000,000**	**(1,056,125,000)**	**–**	**9,380,055**	**3,853,255,055**
Lease liabilities (Note 23)	**72,865,392**	**(16,302,331)**	**–**	**6,225,457**	**62,788,518**
Dividends payable (Note 11)	**1,220,121**	**(5,313,211,592)**	**–**	**5,313,184,525**	**1,193,054**
	₱4,974,085,513	**(₱4,385,638,923)**	**₱–**	**₱5,328,790,037**	**₱5,917,236,627**

**Includes payment of loan transaction cost*
***Includes payment of interest portion*

	For the year ended December 31, 2019				
	January 1, 2020	Net Cash flows	Foreign exchange movement	Others	December 31, 2019
Short-term loans (Note 12)	₱2,250,000,000	(₱2,250,000,000)	₱–	₱–	₱–
Long-term debt (Note 13)	5,656,388,237	(793,219,425)	36,831,188	–	4,900,000,000
Lease liabilities (Note 23)	77,937,482	(14,417,275)	–	9,345,185	72,865,392
Dividends payable (Note 11)	1,329,303	(5,313,293,707)	–	5,313,184,525	1,220,121
	₱7,985,655,022	(₱8,370,930,407)	₱36,831,188	₱5,322,529,710	₱4,974,085,513

**Includes payment of interest portion*

Others include noncash changes pertaining to amortization of deferred financing cost (see Note 13), cash dividend declaration by the Parent Company (see Note 16), additions to lease liabilities and accretion of related interest (see Note 23). Others in 2019 include recognition of lease liabilities as a result of adoption of PFRS 16.

Dividends payable is included under 'Trade and other payables' account of the parent company statements of financial position (see Note 11).

30. Operating Segments

Segment Information

The Parent Company is engaged in surface open cut mining of thermal coal and is managed by the Chief Operating Decision Maker (CODM) as a single business unit. The CODM monitors the operating results of the Parent Company for the purpose of making decisions about resource allocation and performance assessment. The Parent Company performance is evaluated based on revenue and net income before tax which are measured similarly as in the parent company financial statements.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2020 and 2019:

	2020			
	Mining	**Power Generation**	**Others**	**Total**
Segment assets	**₱25,735,386,478**	**₱–**	**₱–**	**₱25,735,386,478**
Investments in subsidiaries	**–**	**16,876,250,000**	**36,875,000**	**16,913,125,000**
Deferred tax assets	**191,400,854**	**–**	**–**	**191,400,854**
	₱25,926,787,332	**₱16,876,250,000**	**₱36,875,000**	**₱42,839,912,332**
Segment liabilities	**₱8,720,821,316**	**₱–**	**₱–**	**₱8,720,821,316**
Long-term debt	**3,853,255,055**	**–**	**–**	**3,853,255,055**
	12,574,076,371	**₱–**	**₱–**	**12,574,076,371**
Cash flows arising from (used in):				
Operating activities	**₱6,909,296,853**	**₱–**	**₱–**	**₱6,909,296,853**
Investing activities	**(105,827,851)**	**–**	**–**	**(105,827,851)**
Financing activities	**(4,380,140,477)**	**–**	**–**	**(4,380,140,477)**
Other disclosures				
Capital expenditures	**₱2,878,673,437**	**₱–**	**₱–**	**₱2,878,673,437**

	2019			
	Mining	Power Generation	Others	Total
Segment assets	₱24,151,376,624	₱–	₱–	₱24,151,376,624
Investments in subsidiaries	–	16,704,750,000	36,875,000	16,741,625,000
Deferred tax assets	196,973,235	–	–	196,973,235
	₱24,348,349,859	₱16,704,750,000	₱36,875,000	₱41,089,974,859
Segment liabilities	₱5,891,364,216	₱–	₱–	₱5,891,364,216
Short-term loan and long-term debt	4,900,000,000	–	–	4,900,000,000
	₱10,791,364,216	₱–	₱–	₱10,791,364,216
Cash flows arising from (used in):				
Operating activities	₱14,073,983,352	₱–	₱–	₱14,073,983,352
Investing activities	(3,352,815,586)	–	–	(3,352,815,586)
Financing activities	(8,365,935,797)	–	–	(8,365,935,797)
Other disclosures				
Capital expenditures	₱3,328,137,933	₱–	₱–	₱3,328,137,933

1. Capital expenditures consist of additions of property, plant and equipment.
2. All noncurrent assets other than financial instruments are located in the Philippines.
3. Others pertain to SCI and SIPDI which are engaged in manufacturing and economic zone development, respectively.

Disaggregation of Revenue Information

Set out below is the disaggregation of revenue from contracts with customers and results of operations of the Parent Company for the years ended December 31, 2020 and 2019:

	2020	2019
Local coal sales	**₱9,398,459,676**	₱10,416,659,270
Export coal sales	**11,548,721,631**	22,165,425,627
	₱20,947,181,307	₱32,582,084,897

Substantially all revenues from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the location of the customer.

Customers on the export sales are significantly to China, while customers on the local sales are significantly to SCPC and SLPGC.

All of the Parent Company's sales of coal are revenue from contracts with customers are recognized at point in time.

31. Other Matters

COVID-19 Outbreak

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Parent Company's business activities. However, there have been easing of the quarantine measures in key areas in the Philippines and the rollout of the national vaccination program is expected to further improve market activities.

The Parent Company continues to implement measures to alleviate the effects and believes that its business would remain relevant despite the challenges posed by the COVID-19 pandemic.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The general features of the CREATE bill include the following:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%;
- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and,
- Improperly accumulated earnings tax of 10% will be repealed.

On February 24, 2021, the harmonized copy of the CREATE bill has been received by the Office of the President for signing or approval into law.

The RCIT applied in the preparation of the Parent Company's financial statements as at and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which is 30% RCIT. Should the CREATE bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for RCIT carried in the enacted bill, the excess accrued RCIT as of the balance sheet date will be considered as reversal of income tax accrual in 2021.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Semirara Mining and Power Corporation (the Company) as at December 31, 2020 and 2019 and for the years then ended, and have issued our report thereon dated March 3, 2021, which contained an unqualified opinion on those basic parent company financial statements. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations (RR) 15-2010 for the year ended December 31, 2020 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. RR 15-2010 requires the information to be presented in the notes to the basic parent company financial statements. Such information is the responsibility of the management of Semirara Mining and Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 3, 2021

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EXCISE LT REGULATORY DIVISION

SEMIRARA MINING AND POWER CORPORATION
SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS 15-2010
FOR THE YEAR ENDED DECEMBER 31, 2020

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes, duties and licenses fees paid or accrued during the taxable year.

Value added tax (VAT)
The Company is operating under Presidential Decree 972 as amended or otherwise known as Coal Development Act of 1976. By virtue of the said Act and its Coal Operating Contract with the Government, the Parent Company, as Coal Operator, was granted the following rights, among others, under Section 5.2 thereof:

a) Exemption from all taxes (national and local) except Income Tax;
b) Exemption from all payment of tariff duties and compensating taxes on importation of machinery and equipment, spare parts and materials required for the coal operations;

In view of thereof, the Company's revenue amounting to ₱20,947.18 million was not subjected to sales taxes, such as output VAT.

Taxes, licenses and other fees
Taxes, licenses and other fees paid to the Government and its instrumentalities, local and national, include real estate taxes, licenses, permit fees and payment of share to the national wealth:

Included in Cost of coal sales (under production overhead account):	
Import tax and custom charges	₱61,396,646
Licenses and permit fees	59,688,487
Wharfages	38,535,030
Real property taxes	2,948,840
	₱162,569,003

Included in Operating expenses:	
Government royalty fee	₱1,813,594,427
Registration, licenses and permit fees	5,444,993
	₱1,819,039,420

Capitalized as part of long-term debt:	
Documentary stamp taxes	₱39,730,965

Withholding taxes
Withholding taxes in 2020 consist of:

	Amount	Payable
Final	₱107,364,743	₱–
Expanded	55,988,442	3,297,320
Compensation	38,224,724	2,325,875
	₱201,577,909	₱5,623,195

BUREAU OF INTERNAL REVENUE
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Outst anding balances of withholding tax payables are lodged under 'Accrued expenses and other payables' under trade and other payables account in the parent company statements of financial position.

Excise Tax
Revenue Memorandum Circular (RMC) No. 105-2018 was issued to clarify the payment of excise tax on domestic coal, and that the Parent Company will serve as a collecting agent. Acting as a collecting agent, the Parent Company remitted excise taxes on domestic coal amounting to ₱722.96 million in 2020.

Tax Assessments
On Feb 18, 2020, the Company paid a total amount of ₱25.2 million, inclusive of interest, as settlement of all tax assessments covering the taxable year 2018.

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex A Corporate Sustainability

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Annex A: Corporate Sustainability

Contextual Information

Company Details	
Name of Organization	**Semirara Mining and Power Corporation**
Location of Headquarters	2F DMCI Plaza. 2281 Chino Roces Avenue Extension Makati City, Philippines 1231
Location of Operations	Semirara Island, Caluya Municipality, Antique, Philippines Calaca, Batangas, Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Our 2020 Annual and Sustainability Report covers the sustainability performance of Semirara Mining and Power Corporation and its operating power subsidiaries through the following business segments: • COAL – Semirara Mining and Power Corporation (SMPC) • POWER - SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)
Business Model, including Primary Activities, Brands, Products, and Services	Semirara Mining and Power Corporation is a leading vertically integrated power producer in the Philippines that owns and mines its own fuel source. As a base load power provider, we provide affordable energy in the Luzon-Visayas grid, whose combined regional output accounts for a large portion of the national economy. SMPC is the largest coal producer in the country, accounting for 99.45% of the country's total coal production in 2019. OUR STRATEGY SMPC's integration of coal mining activity and power generation resulted in greater value proposition and inclusive growth. This value chain incorporates optimizing the supply chain and cost efficiency, as well as aligning environmental responsibility, safety, risk management and good corporate governance within our operational structure for sustainability.
Reporting Period	January to December 2020
Highest Ranking Person responsible for this report	Maria Cristina C. Gotianun President and Chief Operating Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

SMPC adheres to the Global Reporting Initiative Standards (GRI) as its sustainability reporting framework, as well as the guidance provided by the GRI on stakeholder engagement and materiality.

Stakeholder Engagement

Stakeholder engagement is an important element in our approach to sustainability. We identified and engaged stakeholder groups through various consultations, surveys and focus group discussions, among others. By understanding the issues and concerns that are most important to them, we are able to design appropriate and timely responses and advance our sustainability agenda.

Our Stakeholder Groups Consulted

- Shareholders
- Employees
- Customers
- Suppliers, Contractors and Business Partners
- Government – Regulators, Local Government Units
- Community – Leaders and Residents

MATERIALITY

We rolled out survey questionnaires and focus group discussions alongside a third-party GRI specialist to determine the material topics and issues relevant to our key stakeholder groups in 2018. We considered that 18 out of the 33 GRI topics have the greatest impact and influence on the decision-making to our stakeholders and, therefore, material to the Company. We have aligned our material topics with our sustainability priorities. We additionally considered the directives of the Department of Energy, which conducts regular progress monitoring on our activities and programs.

In 2020, we continued to use these topics while integrating the latest stakeholder concerns from various communication channels. We also participated in the stakeholder engagement activity of our parent, DMCI Holdings Inc. as further support of our materiality approach and ensure continuing relevance of our material topics. The Taal eruption and the COVID-19 pandemic are key material events to our business, employees and communities, which required our response and action.

Our Material Topics Identified

ECONOMIC	ENVIRONMENTAL	SOCIAL
Economic Performance	Energy	Employment
Market Presence	Water	Training and Education
Indirect Economic Performance	Materials	Labor/Management Relations
	Biodiversity	Occupational Health & Safety
	Emissions	Local Community
	Effluents & Wastes	Customer Health & Safety
	Supplier Environmental Assessment	Socio-economic Compliance
	Mine Rehabilitation	

SMPC's 2020 Annual and Sustainability Report is available and downloadable at our website: https://www.semirarampc.com/ASR2020

[1] See *GRI 102-46* (2016) for more guidance.

POWERING SUSTAINABLE CHANGE

SEMIRARA MINING & POWER CORPORATION

2020 Annual and Sustainability Report

About the Report 102-3, 102-46, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

"Powering Sustainable Change" is Semirara Mining and Power Corporation's (SMPC) second Annual and Sustainability Report (ASR). Following the release of the Company's maiden 2019 ASR, we continue our commitment to sustainable practices and relevant reporting.

This issue covers the financial and sustainability performance of SMPC's coal and power operations for the period of January 1 to December 31, 2020. The report discloses topics relevant to our economic, environmental, and social impacts spanning our sites in Semirara Island, Antique and Calaca, Batangas. In the process, SMPC renewed communication with stakeholders to determine surfacing concerns within the period and updated our topic boundaries. The 2020 ASR consolidates previous disclosures for continuity with the addition of significant topics for the year. These topics are discussed alongside our management approaches, which describe how the Company directly handles its impacts in specific areas.

We continue to use the GRI Standards in our reporting process as we acknowledge and assess the issues that are important to our stakeholders. This report has been prepared in accordance with the GRI Standards: Core option. Further application of the Standards allows for comparability with our preceding reports by using the same metrics and structure. There is also continued compliance with the Philippine Securities and Exchange Commission (SEC) Sustainability Reporting Guidelines for Publicly-listed Companies.

SMPC welcomes feedback and appreciates suggestions on how to make this report more meaningful and valuable to our stakeholders.

For comments and suggestions, please contact:
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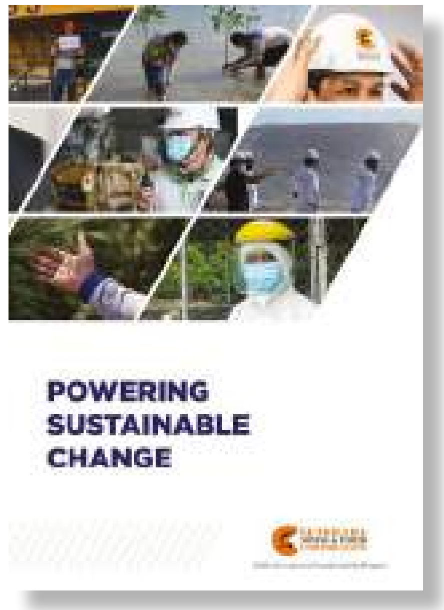
(+632) 8888-3055
investor_relations@semirarampc.com
corpcomm@semirarampc.com
semiraramining.com

About the Cover

The 2020 Annual and Sustainability Report's theme, "Powering Sustainable Change," embodies the transformational changes made by SMPC during an unprecedented time. SMPC aims towards business transformation in processes, people, and technological systems to better align with our business strategy and vision. Our responses within the year were not only to brace for the problems of the present, but to set stronger foundations for the future. With our environmental and social responsibilities in mind, we integrated transformational changes to the way we did things.



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About Semirara Mining and Power Corporation

102-1, 102-2, 102-6

Semirara Mining and Power Corporation (SMPC) is a leading vertically integrated power generation company in the Philippines. To date, we are still the only power producer in the country that owns and mines our own fuel source. SMPC is also the largest coal producer, accounting for 99% of the country's coal production.

Aside from fueling our power plants, we supply coal to other power plants, the majority of cement plants, and other small boiler users in the food, textile, and canning industries. As a major player in the Philippine power industry, SMPC strives to efficiently manage fuel supply and power production to deliver affordable and reliable energy to millions of Filipinos nationwide.

Business Overview 102-16

Since its inception as the Semirara Coal Corporation to the integration of its Power segment as the Semirara Mining and Power Corporation, SMPC recognizes the shared responsibility of its extractive and energy businesses.

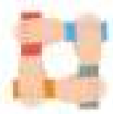
Our Mission

- To responsibly and efficiently operate in all sites;
- To empower host communities, contributing to their sustainability;
- To nurture and uphold environmental stewardship; and
- To ensure equitable returns to all stakeholders.

Our Vision

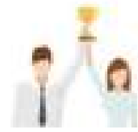
Semirara Mining and Power Corporation is the leading responsible vertically integrated energy enterprise contributing towards inclusive growth.

Our Core Values



COMMITMENT

TEAMWORK



EXCELLENCE

INTEGRITY

PROFESSIONALISM

LOYALTY

Our Corporate Objectives

- Business Sustainability
- Value Maximization

Our Business Model

CORPORATE GOVERNANCE

Inclusive Stakeholder Value

ORGANIZATIONAL DEVELOPMENT AND PEOPLE EXCELLENCE

HEALTH AND SAFETY

VALUE CHAIN

HELPING BUILD SUSTAINABLE COMMUNITIES

SELF-SUFFICEINCY AND MUTUALLY BENEFICIAL PARTNERSHIPS

LEADING RESPONSIBLE VERTICALLY INTEGRATED ENERGY ENTERPRISE CONTRIBUTING TOWARDS INCLUSIVE GROWTH

Profitability, Liquidity, Positive Cashflows

ENTERPRISE RISK MANAGEMENT

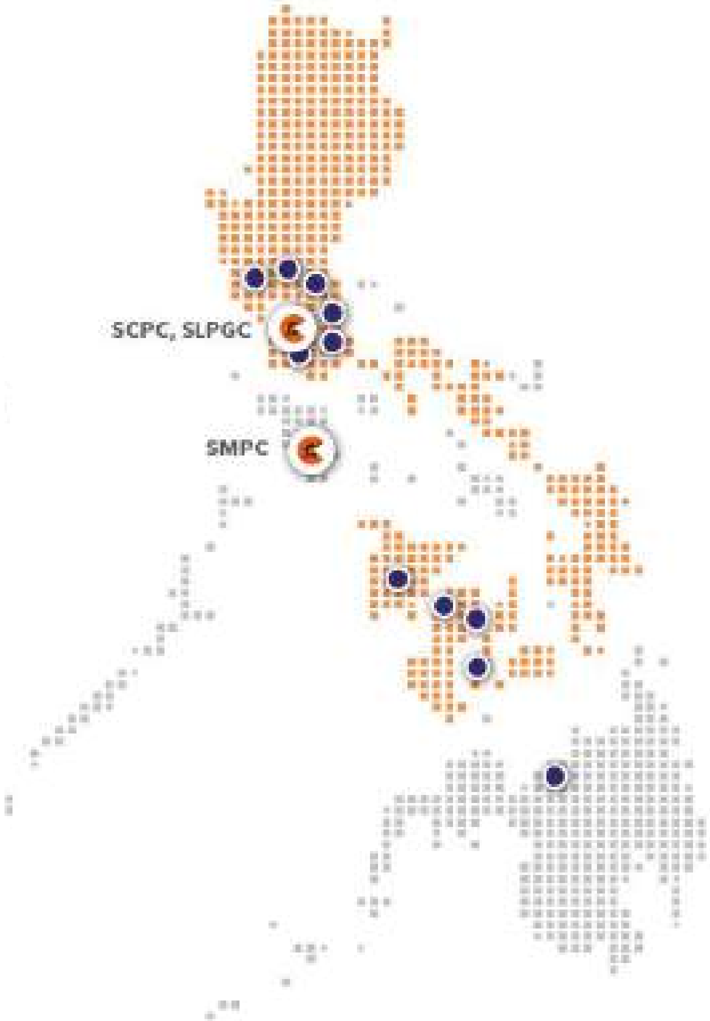
Our Market Presence 102-6, 102-7

Power Market (Luzon-Visayas Grid)

Coal Market (Domestic)

We export to:

- China including Taiwan
- India
- Thailand
- South Korea
- Cambodia



Our Value Chain

EXPLORATION AND DEVELOPMENT

- The location, volume, and quality of coal deposits are determined by conducting geological investigation, geodetic survey, and subsurface exploration. Based on available information, we decide if deposits can be safely and economically recovered.
- Stakeholder engagement is a vital part of how we conduct business and achieve better project outcomes, foster community ownership, and lower project costs.

EXTRACTION

- Large machines remove the overburden, such as topsoil and rock layers, to expose the coal seam.

  The coal deposit is then extracted using large excavators. This process is called open pit mining or strip mining.
- Our people are our most valuable resource. We train, develop, and provide equal opportunity for all.

  We build partnerships with local and foreign experts to further advance our people's competency and allow us to improve our operational efficiency.

  We continue to invest in mining technology that will further enhance our capabilities to predict geologic hazards. We also implement safety programs and policies that will allow our people to return home from work safely each day.

STOCKPILING

- Extracted coal is loaded directly into trucks for hauling to the stockpiles. Stockpiling helps stabilize coal supply.
- Stockpiling helps ensure a stable supply of quality coal, which results in uninterrupted operations and income stability for our key stakeholders.

BLENDING

- The coal is segregated by quality requirements that meet customer specifications.
- We aim to satisfy our customers through our product quality.

REHABILITATION

- Site rehabilitation involves the restoration of the mined-out land to its natural state. This is done through the strict, research-based revegetation and regeneration of natural ecosystems.
- We work closely with our regulators, local government units, host communities and key stakeholder groups at the end-of-mine life on projects geared toward community self-sufficient, climate action, and biodiversity, among others.

SHIPPING

- Coal is transported to customers by barge and bulk carriers. The supply is delivered to local power producers, cement manufacturers, foreign clients, and our coal-fired power plants.
- We provide reliable product, as well as orientation training, on stockpiling safety practices to ensure quality and safety for our customers.

COMBUSTION

- Coal is ground into fine powder and blown into the boiler. Grinding increases the coal's surface area, which helps it burn faster and hotter, producing as much heat with as little waste as possible. Burning coal also produces ash and exhaust gases.
- We ensure compliance to regulatory limits and standards for environmental impact mitigation and ensuring the health ans safety of our employees, host communities, and key stakeholders.

GENERATION

- Pulverized or crushed coal is burned inside the furnace to produce steam in the boiler, which passes through a turbine. The rapidly spinning turbine powers a generator that turns mechanical energy into electric energy.
- We continue the forward integration of our business to deliver greater results to our host communities, customers, shareholders, employees, government, and business partners for inclusive growth.

DELIVERY

- The power plant's electric generator produces electricity, which passes through a step-up transformer to increase voltage and reduce losses during transmission to power distribution companies.
- We supply affordable base load power through the Luzon-Visayas grid to support our country's growing economy.

Process

Stakeholder Value

Our Business Structure 102-4, 102-5, 102-45

Our Footprint

SEMIRARA ISLAND, ANTIQUE PROVINCE

Semirara Island is in the first-class municipality of Caluya, located at the northwestern part of Antique Province. Caluya is around 350 kilometers south of Manila, and 155 kilometers from the province capital in San Jose de Buenavista. The island covers 55 square kilometers (5,500 hectares) and has the largest coal deposit in the country.

Semirara island was declared a coal mining reservation by President Manuel L. Quezon through Proclamation No. 649 in 1940. In 1976, the increasing cost of imported crude oil imposed a heavy demand on the country's international reserves, propelling the government to actively pursue the exploration and development of indigenous energy resources.

To lessen the country's dependence on imported fuel and secure affordable energy, President Ferdinand E. Marcos issued Presidential Decree No. 972, otherwise known as the "Coal Development Act of 1976". It declared Semirara Island as one of the coal regions of the Philippines, allowing the issuance of Coal Operation Contracts (COCs) for the area. The Department of Energy has granted the extension of SMPC's COC until July 14, 2027.

CALACA, BATANGAS PROVINCE

Calaca is in the northwestern part of Batangas Province. It is around 117 kilometers south of Manila, and 41 kilometers from the provincial capital of Batangas City. Major economic activities in Calaca include agriculture, service manufacturing, tourism, and cottage industries.

SMPC's wholly-owned subsidiaries, Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), operate two units of 300 MW and two units of 150 MW coal-fired power plants, respectively, in Calaca, Batangas.

Message from the Chairman

To our dear stakeholders,

At the start of 2020, we stood at the precipice of a global recession as analysts predicted the worst. The Philippines, in particular, was anticipating a 2% economic contraction and lowered consumption within our industry. The COVID-19 pandemic rendered everyone vulnerable, business and individual alike.

Semirara Mining and Power Corporation braced for a difficult year. Coal prices fell and demand diminished. With external factors as the main adversary, our strategy was to maintain an optimal balance sheet and ride out the downturn.

SMPC's profitability in 2020 took a 66% dive at PhP 3.3 billion, with both our coal and power segments suffering the consequences of the market downturn.

The pandemic drove coal consumption down to record lows since World War II, reducing index prices by double digits. China's import quota slashed our coal sales and average selling prices. Oversupply and depressed electricity demand meanwhile halved electricity

"We remain unwavering in our commitment to our financial obligations amid the threat of the pandemic."

spot prices. The year faced operational headwinds and thwarted the anticipated improved performance of our power plant units that have just completed their Life Extension Programs (LEPs).

This confluence of market and operational factors, and the Taal volcano eruption deeply cut the profitability of our company. Consolidated revenue registered at PhP 28.3 billion or 36% down from last year, while net income dropped to PhP 3.3 billion or 66% lower than 2019. Amid the sharp drop in revenue, our EBITDA margin registered at 37% while our net income margin was at 12%.

As we operate against these odds, the company's liquidity remains strong. Our consolidated cash position closed at PhP 8.1 billion with the resulting debt-to-equity ratio staying low at less than 1 at the end of the year.

We remain unwavering in our commitment to our financial obligations amid the threat of the pandemic. SMPC fulfilled its payments of cash dividends amounting to PhP 5.3 billion and royalties to the government of PhP 1.72 billion during the year.

"SMPC clearly demonstrated that we have the resilience to move forward as our business fundamentals remain strong."

RESILIENCE TO MOVE FORWARD

Given the nature of our business as essential to the country's fight against COVID-19, we took measures to ensure we could keep running without compromising the wellbeing of our employees.

With two of our Calaca power plant units having completed their LEPs and commissioning, our asset performance focused on realizing optimized power generation.

In 2020, our Power subsidiaries entered into new contracts with various customers in distribution utilities, generators and retail electricity suppliers, with a combined contracted capacity of 290 MW inclusive of a 10-year baseload supply of 20 MW to a distribution utility outside Metro Manila.

Our Coal segment developed new export markets in Cambodia and South Korea, thus expanding our market presence outside of China. On the domestic front, we also developed new market in the Mindanao grid and other small boiler users.

SMPC remained well-positioned to meet its financial and social obligations on time, with our current liquidity and unused credit lines providing the necessary leeway to support business needs. SMPC clearly demonstrated that we have the resilience to move forward as our business fundamentals remain strong. We remain confident of continuing capital access from our local partner banks to fund our expansion activities and capital requirements.

COMMITMENT TO GOOD GOVERNANCE

For us, change is transformative. This year, we relied on longstanding systems that worked and adjusted those that didn't.

We paid greater attention to the implications of the health crisis. We witnessed the dedication and perseverance of our employees to deliver, while understanding the mutual support between our business and our people. We also remained steadfast in upholding good corporate governance.

During the year, SMPC was honored to receive the ASEAN Asset Class Award for being among the top-performing publicly-listed companies in Southeast Asia based on the 2019 ASEAN Corporate Governance Scorecard (ACGS) assessment. We improved our score to 100.1 from 97.6 in the previous year, thereby cementing our efforts to improve our management and effective leadership governance.

Moving forward, we continue to commit to our business and sustainability goals as an organization without compromise. In the process, we will capitalize on our COVID-19 resiliency and adaptation strategy of focusing on our people, finances and execution skills. While being a catalyst of progress to the communities we reach.

To our stakeholders and shareholders—thank you for your unwavering trust and support. Together, may we continue to forge ahead in the face of change and towards shared inclusive growth.

Isidro A. Consunji
Chairman of the Board
and Chief Executive Officer

"...we aim to recalibrate a business strategy that is supported by a stronger governance, risk, and compliance framework..."

Message from the President

To our dear stakeholders,

Humility and humanity. These words come to mind when describing our responses to this volatile year. In 2020, we faced a drop in the market price for coal, a limited domestic demand, and the slowing down of several segments in our supply chain due to COVID-19 restrictions.

These led to decreased revenue and production for Semirara Mining and Power Corporation, halting our progress from the previous year. With humility, we face the challenges of this changing landscape.

The year was derailed by a series of *force majeure* events–the Taal Volcano eruption and COVID-19 pandemic. Imposed quarantine and travel restrictions extended and interrupted the planned outage activities of our power units.

A weakened economic condition brought by the pandemic coupled with operational issues across our coal and power segments dragged down our profitability, dropping our year-on-year net income from 2019's PhP 9.7 billion to this year's PhP 3.3 billion. Our coal segment remained our highest contributor at 55% to the consolidated net income.

Standalone coal net income fell by 56% to PhP 3.3 billion due to lower sales volume and average selling price (ASP). Both our sales volume and coal production took a plunge, lowering by 16% to 13.1 MMT and 13% to 13.2 MMT, respectively.

In this regard, we have China's import quotas as the main trigger for the drop in coal demand, market prices, and domestic consumption. The decrease in coal production was due to our voluntary suspension of mining operations at the North Molave mine due to excessive water seepage in NB7, slowing down our activities during the last two months of the year.

Sem-Calaca Power Corporation's (SCPC) 2x300 MW units reversed our PhP 745 million net loss by bringing in PhP 32 million standalone net income from higher availability and sales volume year-on-year. Our gross generation improved by 106%.

We completed the commissioning of the 300-MW Unit 2 this year, and declared it commercially available by May 2, 2020. Per preliminary findings, the new generator incurred a machinery breakdown 7 months into operation due to an original equipment manufacturer (OEM) workmanship issue. We commissioned a third-party generator expert to assist in validating OEM findings. We have actively engaged in the negotiation and resolution for the immediate completion of the repair and rectification of the generator to its restoration to safe operating condition.

The 2x150 MW power units under Southwest Luzon Power Generation Corporation (SLPGC) incurred a net loss of PhP 121 million due to lower availability, weak spot prices, and a recognition of impairment loss amounting to PhP 157 million for its 2x25 MW gas turbines. Gross generation for SLPGC was down by 25%.

Total power sales volume went up 14% to 4,218 GWh while composite ASP fell 33% to PhP 2.74 per kilowatt-hour.

Overall, the company still managed resiliency in the worst economic condition by far. Even if 66% of profitability was shaved off from last year, our financial condition remained strong with a current ratio of 1.41x and a Debt-to-Equity ratio of 0.67x.

"Overall, the company still managed resiliency in the worst economic condition by far."

"SMPC's shared inclusive growth extended to capacity building, health, and education which we consider as investments for the sustainable development of our host communities. "

COMMITTED TO SERVE: MANPOWER AND MINDSET

Amid these challenges, we acknowledge the people who have empowered and stood by us in this unprecedented time.

Their fortitude and ability to keep our businesses going prevailed despite the threats, uncertainty, and difficulties caused by the coronavirus pandemic. Their work ethic, dedication, and personal sacrifices as "backliners" to support the nation during the strict lockdowns are much appreciated.

Our Power core operations personnel readily adhered to our health and safety protocol and volunteered to reside at our power plant complex during the enhanced community quarantine period. It was striking the balance between the safeguarding of our people and their motivation for uninterrupted service that allowed us to continue functioning as an essential industry.

Now, more than ever, we highlight the importance of one's well-being. While SMPC has consistently provided training and benefits to its employees, we revisited our compensation structure and other resources to support our people as they faced the increased difficulties of the year.

The capabilities of our people and partners in adapting to change was crucial to our operations for the year.

STRENGTHENING FINANCIAL POSITION

The volatility of the pandemic required us to be prudent and vigilant in our finances.

We deferred capital expenditure spend by 25 percent from PhP 6.3 billion to PhP 4.7 billion in 2020.

We will continue to prioritize costs necessary for business continuity, while non-essential business expenses will be rationalized. We will also continue to maintain healthy working capital and conservative debt level to strengthen our financial position.

MAINTAINING THE ESSENTIALS: BEST PRACTICES IN SUSTAINABILITY

Our sustainability journey as a company this year was a human one. Due to the extractive nature of our business, responsibility becomes imperative as we manage our economic, environmental, and social impacts.

SMPC stayed committed in its stewardship and rehabilitation of the closed Panian Mine. In 2020, we stepped up the reforestation of its southern area through the propagation of thriving tree species, while continued backfilling is done at the north section.

SMPC's shared inclusive growth extended to capacity building, health, and education which we consider as investments for the sustainable development of our host communities.

TAKING ON TOMORROW

As the year ended, I reflected deeply on where the company currently stands in its sustainability journey and what that might imply for the future.

SMPC and the individuals within it were able to withstand the exigencies of the pandemic and an economic downturn through collaborative efforts and an openness to change. We continued investing in programs and operations beneficial not only to the business' future but to the future of the communities we live alongside.

For this, I remain grateful to our employees, the Department of Energy, local government units, public and private partners, host communities, and shareholders.

Thank you for joining us in our sustainability journey and placing your trust in our company.

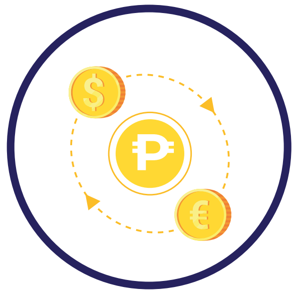
As we prepare ourselves for the challenges of tomorrow, we open ourselves to the change needed to survive. We are steadfast through the challenges of uncertainty and take the opportunity to change for the better.

We can expect to bank on our pragmatic management and the consistency of our values to stay committed to building a sustainable future together.

Maria Cristina C. Gotianun
President
and Chief Operating Officer

Our Sustainability Framework

SMPC recognizes that we have a role to play in helping to make sustainable development a reality. To this end, we seek to maximize our efforts by focusing on three key areas where we believe we can make significant contributions that will positively affect our stakeholders and communities.



PROSPERITY

SMPC is committed to sharing the benefits of economic development more broadly. We measure our success not only in terms of our financial performance, but on the positive economic impact we have in terms of reduced poverty in our host communities, employment and livelihood creation, and the growth of the local economy.

PLANET

Aware of our industry's environmental footprint, we focus our efforts on managing and mitigating our impact. Through our environmental initiatives and programs, we seek to rehabilitate the ecosystems where we operate for the benefit of future generations.

PEOPLE

SMPC invests in programs to empower our communities and improve their quality of life. With programs for social development, health and education, SMPC works to equip people for a better future.

Our Stakeholder Engagement 102-40, 102-42, 102-43

Our stakeholders are important to us. It is critical that we are able to engage with them in order to better identify, understand, and respond to their concerns. Our various departments have established robust engagement channels and these allow us to maintain clear and open lines of communication with our stakeholders. We seek to minimize conflicts and differences with stakeholders through effective dispute resolution and conflict resolution processes.

Stakeholder engagement is an important element in our approach to sustainability. By understanding the issues and concerns that are most important to them, we are able to design appropriate and timely responses and advance our sustainability agenda. SMPC adheres to the guidance provided by the GRI Standards on stakeholder engagement and materiality.

Employees	SC, IMS, MMT, IHW, FGD, TM, IAS, IEC, IC
Suppliers, contractors, and business partners	SC, IHW, FGD, TM, SVT
Regulators and government agencies	MMT, IHW, FGD, IAS, SVT, CM
Local government units (LGUs)	MMT, IHW, FGD, IAS, SVT, CM, IEC
Customers	IHW, FGD, SVT
Investors and shareholders	IHW, IBC, ASM
Host communities, non-governmental organizations (NGOs)	MMT, IHW, FGD, IAS, SVT, CM, IEC

ASM Annual Stockholders' Meeting
CM Consultations, meetings
FGD Focus group discussions consultations
IAS Impact assessment and studies
IBC Investor briefings, conferences
IC Internal communication (Postman email and text blast)
IEC Information, Education, and Communication (IEC) campaigns
IMS Integrated Management System (IMS) meetings
IHW Integrity hotline and whistleblowing
MMT Multi-partite Monitoring Team (MMT)
SC Safety Committee meetings
SVT Site visits, tours, and inspections
TM Toolbox meetings, town halls

Our Approach to Materiality 102-21, 102-44, 102-47

Various consultations were held alongside a third-party consultant in 2018 with our key stakeholder groups. The engagement was used to determine the material topics and issues relevant to them and to inform the development of our stakeholder report. These material topics are those that have significant impact on our stakeholders and may also have the greatest impact on their decision-making.

We continued to use these topics while integrating the latest concerns from our communication channels in 2020. SMPC additionally considered the directives of the Department of Energy, which conducts regular progress monitoring on our activities and programs.

The COVID-19 pandemic had a significant effect on our employees and communities, which required our response and action. This is reflected in the material topics that will be covered in this report. We have aligned our material topics with our sustainability strategies and priorities.

SUSTAINABILITY FRAMEWORK	Material Topic	Stakeholder Concerns in 2020	Our Response
PROSPERITY	**Economic Performance**	• Government benefits and availments (government) • Financial returns (shareholders) • Plant reliability (investors, shareholders) • Contract obligations and payments (suppliers, contractors, business partners)	• Taxes and mining royalty remittances • Regulatory compliance • Dividend commitment • Asset management • Accurate & timely payments • Contractual compliances
	Market Presence	• Local hiring (employees, host communities)	• Job creation • Access to skills training
	Indirect Economic Impacts	• Infrastructure development (host communities, LGUs)	• Social development programs
PLANET	**Materials**	• Vertical integration of coal energy	• Resource management
	Energy	• Responsible use of energy	• Resource management
	Water	• Responsible use of water and conservation	• Water resource management • Environmental compliances
	Biodiversity	• Conservation of biodiversity resources (host communities, LGUs)	• Environmental stewardship programs • Partnerships with key stakeholders
	Emissions	• Emissions (regulators, host communities, LGUs, investors)	• Environmental compliances • Carbon sequestration program
	Effluents and Waste	• Solid waste and effluents (regulators, host communities, LGUs)	• Waste and effluent management
	Supplier Environmental Assessment	• Supply chain criteria and standards (investors, suppliers, contractors)	• Supplier accreditation and evaluation
	Mine Rehabilitation	• Mine closure (Department of Energy, host communities, LGUs)	• Accelerated mine rehabilitation • Biodiversity programs

102-44, 102-47

Sustainability Framework	Material Topic	Stakeholder Concerns in 2020	Our Response
PEOPLE	**Employment**	• Compensation and benefits • COVID-19 safety (employees)	• Compensation and benefits package • COVID-19 safety protocols at the workplace • Flexible work-from-home and work-from-work arrangements • Enhanced Incident Command Team for COVID-19 response
	Labor Management Relations	• Industrial peace (employees)	• Industrial relations and employee engagement programs
	Occupational Safety and Health (OSH)	• Safety in the workplace • Work-related illness (e.g., noise-induced hearing loss, musculoskeletal) • Employee well-being	• OSH system, risk assessment, accident investigation, OSH targets and programs • OSH trainings and culture building, safety leadership, accident investigation • Contractor safety program • OSH prevention and mitigation measures and monitoring program • Well-being programs and facilities
	Training and Education	• Talent development and upskilling • Succession	• E-learning • Leadership development program • Succession planning, coaching and mentoring programs
	Host Community	• Solid waste management (communities, LGU) • Livelihood opportunities (women and fishermen/fisherfolk) • Impact of severe weather events to mangrove population (LGUs)	• Solid waste management program • Community livelihood projects • Mangrove planting program
	Customer Health and Safety	• Plant and facility inspections and visits (customers)	• On-site safety and health program and protocols and visitors' orientation • IEC and mine site tours
	Socio-Economic Compliance	• Implementation of Environmental Compliance Certificates, environmental management plan and monitoring plan • Compliance to all relevant administrative orders and memorandum circulars of the DOE, DENR and DOLE • Transparency of the company's operations (community, regulators, LGUs, NGOs)	• Multi-partite Monitoring Team regular meeting, reporting and engagement • Compliances to relevant rules and regulations • Timely compliance reporting • Proactive IEC campaign and programs
	Emergency and Disaster Response and Resilience	• Disaster resilience	• Regular drills and training on community preparedness and response
	COVID-19	• COVID-19 safety (communities, LGUs, NGOs, employees)	• COVID-19 safety measures and protocols • COVID-19 assistance and support to communities

Our Sustainability Performance

FINANCIAL MANAGEMENT AND COST-OPTIMIZATION

Financial management at SMPC aims for long-term viability. To sustain our operations and provide added value to our stakeholders, we invest in maintaining up-to-date equipment and safeguard our capital with financial prudence.

Coal Production (in metric tons)
13.2 million

Market Capitalization
PhP 58.7 billion

Coal Shipment (in metric tons)
13.1 million

Net Income
PhP 3.3 billion

Earnings Per Share
0.77

Coal Revenue
PhP 16.5 billion

EBITDA
PhP 11.1 billion

Dividends
PhP 5.3 billion

Energy Generated
4,677 GWh

Cash Position
PhP 8.1 billion

% Dividend Payout
55%

Energy Sold
4,218 GWh

Capital Expenditures
PhP 4.7 billion

Debt-to-Equity Ratio
0.67x

Energy Revenue
PhP 11.8 billion

STAKEHOLDER VALUE

Our growth as a business means greater contributions for our valued stakeholders. A holistic approach to addressing the interests of our stakeholders ensures that our economic, social and environmental obligations as a company are met.

We work closely with our local communities, investing in their growth and meeting government financial obligations.

Community Jobs Created
1,760

Government Taxes Payments
PhP 2.7 billion

Goods and Services Spending
PhP 12.7 billion

Wages and Benefits
PhP 1.9 billion

Social Development Program
PhP 43.4 million

ENVIRONMENTAL IMPACTS

The nature of our mining and energy business has a direct impact on the environment from which we extract our natural resources and perform our operations. SMPC has taken measures within and beyond government regulations to mitigate these negative impacts.

Climate Action
1.88 million
Inland reforested trees planted to date

Direct GHG Emissions
6.30 million
Tons in CO_2 equivalent

Water Extraction (in Megaliters)
941,301

Biodiversity
137,917
Surviving giant clams propagated to date

Forest Adopted
50 hectares

SOCIAL CAPABILITY AND SAFETY

The competency and resilience of our employees have allowed for the steadfast delivery of services. The risks associated with our industry require strict adherence to safety protocol and proactive management to protect our communities and employees.

Jobs Generated
3,667 employees

Work-related Harm
1 fatality

Training
39
Average hours per employee

COVID-19 Response
PhP 225.5 million
DOE ER 1-94 funds
PhP 16.8 million
Community spend

Talent Retention
97%

CORPORATE GOVERNANCE

SMPC runs on the principles of transparency, accountability, and fairness in its decision-making processes. We not only aim to balance shareholder interests with long-term fiscal strategies but also do so in a manner that meets our ethical responsibilities.

Independent Directors
3
Out of 11 Board Directors

ASEAN Corporate Governance Scorecard 2020 Assessment
100.1
Score points

Board Gender Diversity
36%
Women Board Members

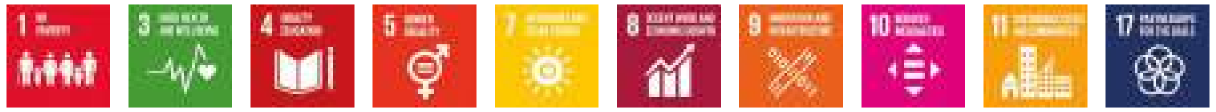
AWARDS AND RECOGNITION

- **ASEAN Asset Class Award** 2019 ASEAN Corporate Governance Scorecard, ASEAN Capital Markets Forum
- **Two Golden Arrow Award**, 2019 ACGS, Institute of Corporate Directors
- **2021 Bloomberg Gender Equality Index** Bloomberg L.P.
- **Gold Anvil Award** 2018 Integrated Report: "Powering Forward", 55th Anvil Awards Public Relations Society of the Philippines
- **Top Scholarship Grantor** University of Batangas

PROSPERITY

Energizing the Economy, Driving Development

At the forefront of SMPC's operations are actions that aim to secure profitability while sustaining opportunities for growth for people beyond our immediate business transactions. We stay in touch with the changing demands of the local and national economy to expand our capacity to serve our stakeholders.



FINANCIAL SCORECARD OF OUR CORPORATE OBJECTIVES

GROW INCOME		**Net Income**
■ Deliver consistent income growth	■ The decrease in coal prices severely affected coal sales, while consolidated net income declined by 66% to PhP 3.3 billion.	**2020: PhP 3.3 B** 2019: PhP 9.7 B 2018: PhP 12.0 B 2017: PhP 14.2 B 2016: PhP 12.0 B
GENERATE ATTRACTIVE DIVIDEND YIELD		**Payout Ratio**
■ Strong dividend payout	■ The company fulfilled its obligations to shareholders, paying regular cash dividends amounting to PhP 5.3 billion.	**2020: 55%** 2019: 45% 2018: 87% 2017: 106% 2016: 63%
EXERCISE FINANCIAL PRUDENCE		**Debt-to-Equity Ratio**
■ Maintain debt-to-equity (D/E) ratio of less than 2:1	■ Steady debt repayment decreased net debt by 3% to PhP 20.7 billion in 2020. Financing for SCPC's Life Extension Projects primarily accounts for the increase in D/E ratio to 0.67x.	**2020: 0.67** 2019: 0.63 2018: 0.78 2017: 0.82 2016: 0.92
GENERATE STRONG MARGINS		**Net Profit Margin**
■ Robust profit margins	■ Net profit margins were bolstered by an increase in spot sales for SCPC, with coal's weaker performance greatly affected by the global decrease in market prices. Net income decreased by 66%	**2020: 12%** 2019: 22% 2018: 29% 2017: 32% 2016: 33%
MAINTAIN HIGH LIQUIDITY		**Current Ratio**
■ Keep current ratio to at least 1	■ Cash position stays strong despite impacts from the decline in profitability. Current ratio decreased to 1.41.	**2020: 1.41** 2019: 1.54 2018: 1.26 2017: 1.60 2016: 1.35

■ Target ■ Outcome

Direct Economic Value Generated and Distributed 102-48, 201-1
(In PhP million)

	2020	2019
Direct Economic Value Generated	**28,614**	44,732
Revenue	**28,251**	44,252
Interest Income	**56**	283
Other Income	**307**	197
Economic Value Distributed	**24,515**	33,923
Operating costs	**13,515**	19,964*
Employee benefits and wages	**1,856**	2,037
Payment to providers of capital	**6,402**	6,597
Payment to government	**2,699**	5,283
Community investments	**43**	42
Economic Value Retained	**4,099**	10,809

Restated to exclude depreciation, previously reported as PhP 26.8 B in 2019

Results of Operations

The year 2020 was a challenging period for SMPC as the company faced natural calamities earlier in the year, followed by the onset of the coronavirus pandemic. The viral outbreak caused an unprecedented global economic downturn, with containment measures and lockdowns limiting day-to-day activities.

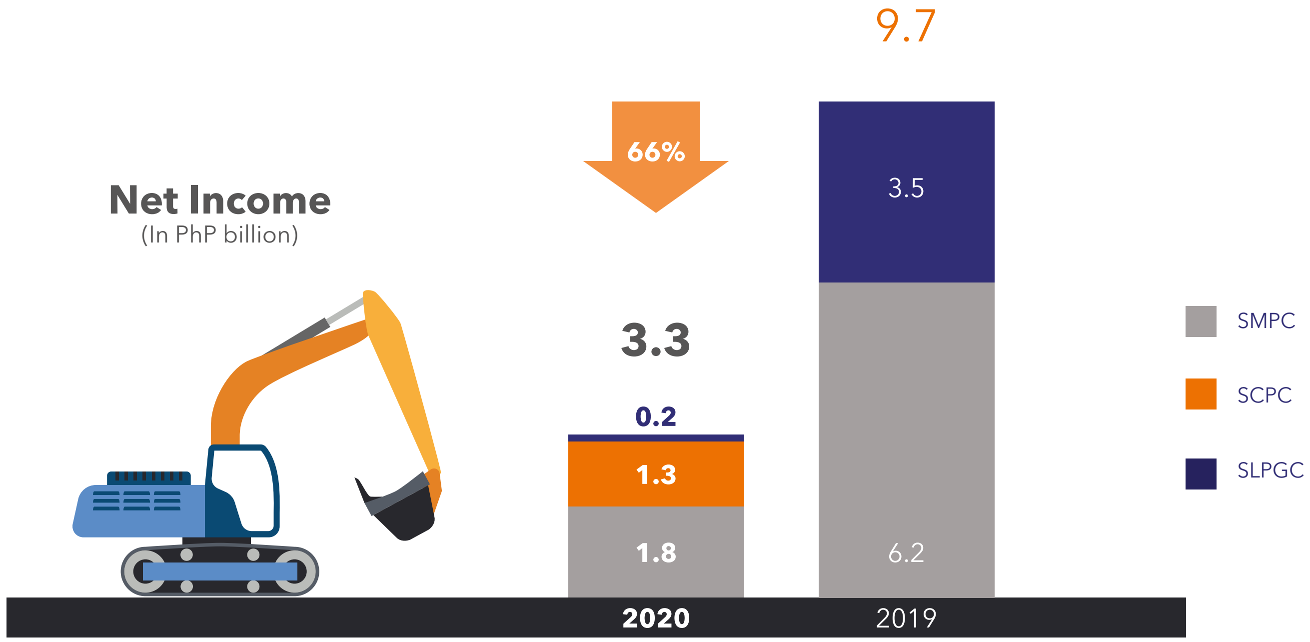
While SMPC was not spared by the socio-economic impacts that vastly affected our day-to-day operations and financial performance for the year, we practiced adaptability and resiliency learned from previous challenges brought about by frequent changes in the business climate.

Even if the Company is operating against all odds, liquidity remains strong despite payment of cash dividend on March 27, 2020. Consolidated cash position closed at PhP 8.1 billion and the resulting debt to equity ratio stayed low at less than 1 as of end of the year. Our sound cash position, integrated energy value chain, business continuity, operational efficiencies, and synergies with our stakeholders have positioned us for eventual recovery.

SMPC's profitability in 2020 dived 66% due to weak market condition brought about by the COVID-19 pandemic. Consolidated net income went down to PhP 3.3 billion from PhP 9.7 billion in 2019.

Gross profit ratio ended lower at 30.2% compared to 39.8% in 2019. On the power side, gains from SCPC's higher sales volume post-LEP were constrained by SLPGC's lower generation and prevailing weak spot prices.

The confluence of market and operational factors deeply cut the profitability of the Company. Amid the sharp drop in revenue, EBITDA margin registered at 39% and Net Income margin at 12%



Standalone coal net income fell 56% to PhP 3.3 billion due to lower sales volume and ASP. Sales volume down by 16% to 13.1 MMT owing to sharp drop in exports. The China import quotas triggered a sharp decline in coal demand, market prices and domestic consumption.

Profitability was adversely impacted by economic factors and lower consumer demand caused by the recent pandemic. Global coal prices remain depressed, with consumption dropping to its lowest levels since World War II. Average price shrunk to 23% or PhP 1,591 by year-end. Price movement began to pick up in Q3, hedging on the positive market sentiment of China renewing its import quotas in 2021.

The nationwide lockdowns aimed at mitigating the spread of the virus, coupled with China's restrictions on imported coal, resulted in a 36% decline in consolidated revenues at PhP 28.3 billion, down from PhP 44.2 billion in 2019.

The coal segment accounted for PhP 16.5 billion or 58% of the company's consolidated revenues, while 42% was contributed by the company's power segment, composed of PhP 7.3 billion from SCPC and PhP 4.4 billion from SLPGC.

Plant availability for Unit 1 of SCPC improved to 91%, attributable to the completion of its LEP. However, Unit 2 had a forced outage on December 3, 2020, due to a generator workmanship issue. This slightly pulled down its availability to 57%. Commercial operation is expected to resume in 3rd quarter of 2021.

SCPC's sales volume increased by 46% or 2,692 GWh, mostly to the spot market. The steep 600% increase in spot sales cushioned the 46% decline in spot prices.

Weak market demand, low spot prices, and prolonged outages initially due to Mt. Taal volcanic eruption and the subsequent quarantine restrictions had significantly pulled down SLPGC's sales volume, which declined to 1,526 GWh or 18% down year-on-year.

Coal Segment

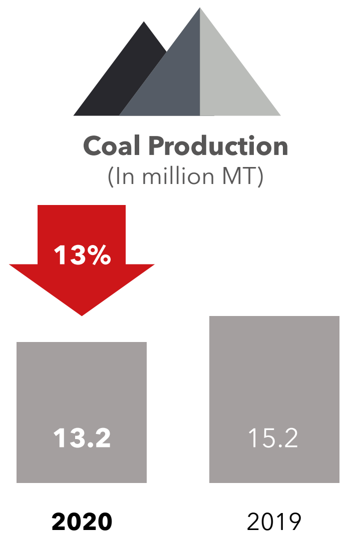
The coal segment's performance was significantly affected by operational disruptions and weak market conditions caused by COVID-19. The impact of import quotas imposed by China and a sharp drop from domestic consumers were offset by sales to power subsidiaries.

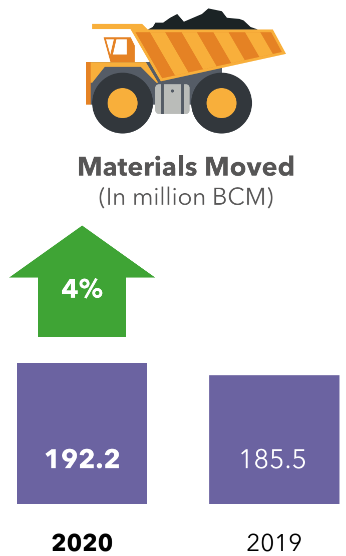
Coal production fell 13.2 MMT in 2020 from 15.2 MMT, a 13% decrease year-on-year. The variance was due to slow down in mining activities in the last two months of the year because of voluntary suspension of coal mining activities at North Molave mine, after the water seepage issue occurred. Moreover, mining capacity was used to unload materials, extension of sea barriers and dewatering activities.

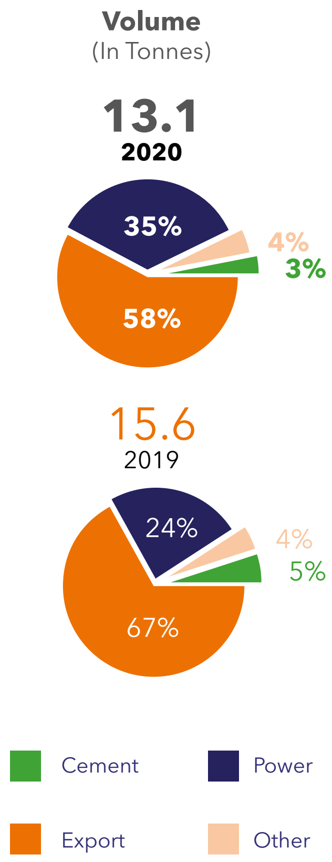
Overburden stripping increased by 4% to 192.2 million BCM from 185.5 BCM in 2019. Lower production resulted in an effective strip ratio of 12:2 from 11:3 last year.

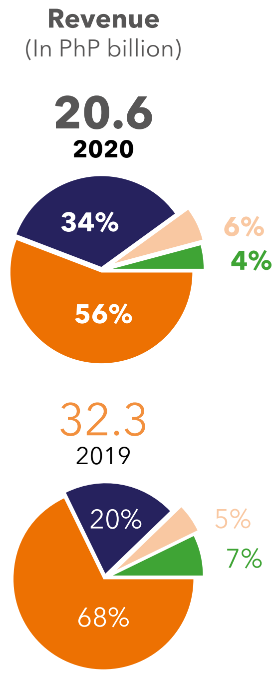
COAL SALES

Revenues from coal sales dropped by 36% to PhP 20.6 billion from PhP 32.3 billion the previous year. Similarly, sales volume was on a downtrend at 16%, with sales from exports contracting to 27%. The 6% increase in domestic sales, mostly to our own power plants, softened the effects of weak global prices. Sales to other power plants increased by 15% due higher offtake of one power customer and one off-grid customer, while sales to cement manufacturers and other industries also fell by 48% and 13% with the slowdown in economic activities as reflected by low consumer demand brought by the pandemic.









Power Segment

Given the extraordinary circumstances of the year, the performance of our power subsidiaries has been mixed.

SEM-CALACA POWER CORPORATION (SCPC)

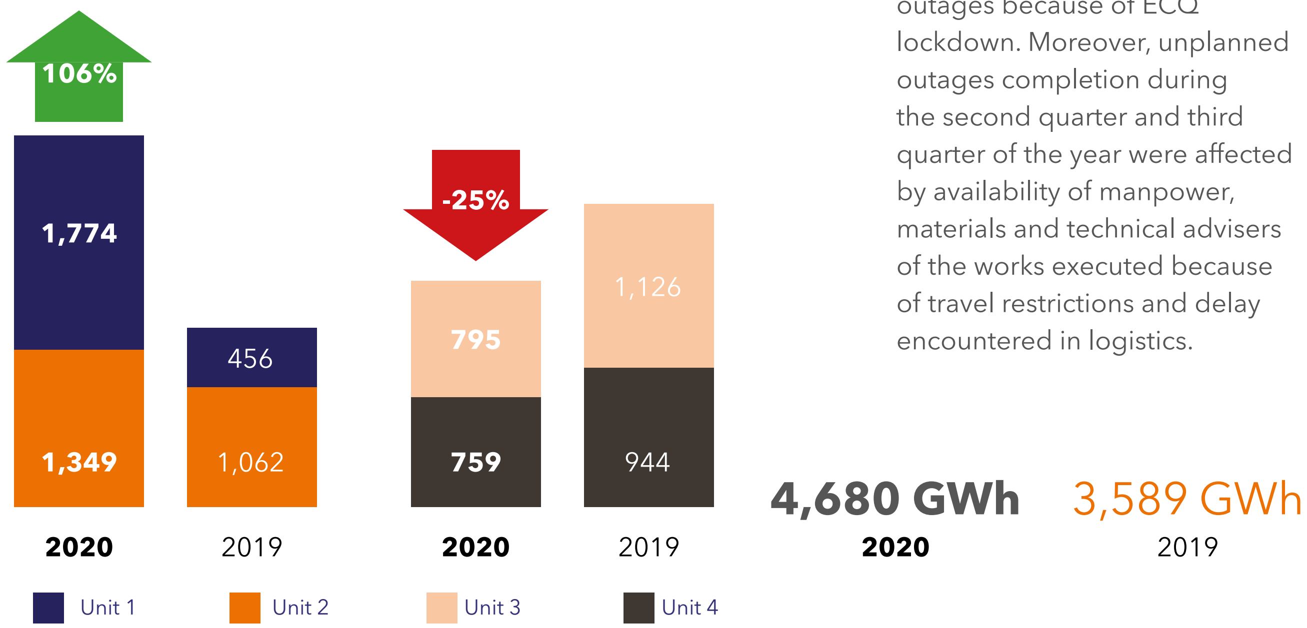
SCPC delivered strong operational performance amidst the economic and operational risks posed by the COVID-19 pandemic. With the completion of the LEP, Unit 1 and Unit 2 achieved commercial operations in October 2019 and May 2020, respectively. The combined sales volume went up to 46%, which was generated mostly from spot sales. The improvement in availability and generation was tempered by the 29% decline in ASP.

Gross power generation jumped to 106% or 3,123 GWh, driven by the combination of fewer outages and an increase in average capacity.

Unit 1's availability was 91% in 2020, an improvement of 283% from the previous year while running at the average load of 220 MW. Unit 2 commenced commercial operations on May 2, 2020, after undergoing its LEP. 100% availability was achieved by the third quarter, even reaching the average load of 300 MW in September.

However, total availability went down to 57%, a 4% decline from 2019, due to the unplanned outage in December 2020.

Gross Generation (In GWh)



SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The combination of lower generation, weak spot prices, and the absence of a significant one-time gain weighed down SLPGC's overall performance.

SLPGC's gross power generation dropped to 1,554 GWh, down by 25% from 2,070 GWh year-on-year.

Lower availability for both units was attributed to tube leak issues, extended shutdown due to the Mt. Taal eruption, and the imposition of quarantine measures which further delayed repairs. Average capacity was 287 MW while capacity factor went down to 59% or a 25% decline from last year for Units 3 and 4 due to extended planned outages because of ECQ lockdown. Moreover, unplanned outages completion during the second quarter and third quarter of the year were affected by availability of manpower, materials and technical advisers of the works executed because of travel restrictions and delay encountered in logistics.

POWER SALES

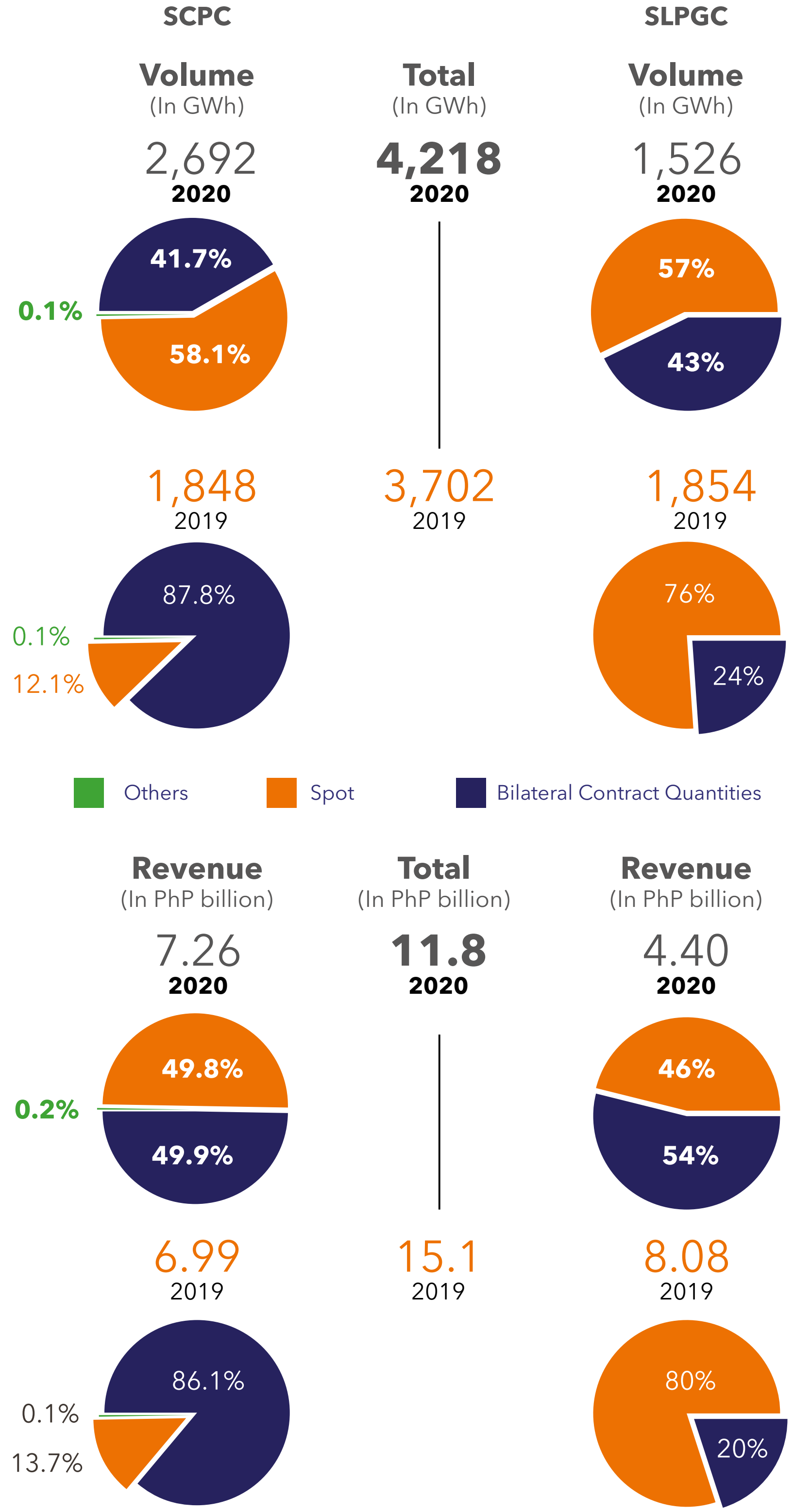
SCPC's total energy sold in 2020 improved to 46% or 2,692 GWh from 1,848 GWh in 2019. This was driven by robust earnings from spot sales totaling 1,565 GWh, an increase of 600% from 224 GWh in the previous year. This increase in sales absorbed the impact of the 29% decline in ASP. Revenues gained 4% at PhP 7.3 billion from PhP 7.0 billion in 2019.

Volume sold by SCPC increased by 46% due to higher plant availability and stable average loads.

In contrast, SLPGC's revenues plummeted to 46% or PhP 4.4 billion from PhP 8.1 billion in 2019, largely due to the 18% decline in total energy sold at 1,526 GWh from 1,854 GWh and lower power generation of 1,554 GWh from 2,070 GWh, which was down by 25%. On a positive note, BCQ sales grew by 50%, with a total contracted power of 268 MW out of 300 MW.

Total Power sales is PhP 1.8 billion inclusive of minimal sales by Sem-Calaca RES Corporation.

Energy Sold (In GWh)



Consolidated net income tumbled to 66% at PhP 3.3 billion from PhP 9.7 billion in 2019. Consolidated earnings per share (EPS) ended at PhP 0.77 in 2020, down by 66% from PhP 2.28 in 2019. Net contributions to the bottom line by the coal segment, SCPC, and SLPGC, after eliminations, are PhP 1.7 billion, PhP 1.3 billion, and PhP 87 million, respectively.

Prior to eliminations, the coal segment's core net income stood at PhP 3.3 billion, a 55% decrease year-on-year from PhP 7.4 billion in 2019. Government royalties for 2020 amount to PhP 1.8 billion, down by 54% because of weak earnings.

The standalone Net Income After Tax of SCPC and SLPGC are PhP 32 million and negative PhP 121 million, respectively. After the LEP, SCPC rebounded 104% from a loss of PhP 755 million in 2019.

SLPGC's stand-alone net income contracted 104% to a loss of PhP 121 million in 2020 compared to outstanding PhP 2.9 billion in 2019. The significantly weak performance or low energy generation was due to outages, resulting to a 18% decrease in sales volume. Spot sales volume fell by 39%, with weak global coal prices contributing to the 34% decline in ASP per kwh. The significant 50% growth in bilateral contract quantities (BCQ) reduced exposure to the spot market, where average spot price registered at PhP 2.32/kwh vs PhP 4.59/kwh or 49% decrease YOY.

Results of Financial Condition

ASSETS

Consolidated total assets dipped by 1.5% to PhP 71.1 billion in 2020 from PhP 72.2 billion in 2019. Cash position was higher by PhP 1.25 billion from short-term borrowings. The decrease in plant, property and equipment of PhP 1.9 billion was due to depreciation and amortization recorded, amounting to PhP 6.5 billion. This was offset by capital expenditures of PhP 4.7 billion, consisting of re-fleeting of mining equipment and additional capex for the LEP. Meanwhile, current and non-current assets decreased after Input VAT were reduced and liquidation of advances to contractors and suppliers.

LIABILITIES

Liabilities increased by 10%, to PhP 30.7 billion in 2019 from PhP 27.9 billion in 2019, due to the additional short-term borrowings to bridge working capital requirements and additional financing incurred by SCPC for its Life Extension Program (LEP).

EQUITY

Equity was at PhP 42.2 billion in 2020, a 5% decrease from PhP 44.2 billion in 2019, after payment of regular cash dividends amounting to PhP 5.3 billion and PhP 3.3 billion net income after other comprehensive income/ loss (OCI).

NET DEBT PROFILE

Net debt decreased by 3% to PhP 20.9 billion in 2020 from PhP 21.5 billion in 2019, prompted by continuing amortization of long-term debt.

SCPC's interest-bearing loans increased to PhP 10.7 billion from the beginning balance of PhP 9.8 billion, after net availment of short-term loans in the amount of PhP 1.3 billion for bridge financing for its LEP and other operational needs. Long-

term portion is PhP 5.8 billion with final maturities on 2024 and 2026.

SLPGC's outstanding loan declined by 16.3% after debt service. Outstanding balance as of end of the year was PhP 3.3 billion for full amortization by 2024.

The coal segment availed a PhP 2 billion short-term loan. Total outstanding loans increased by 20% to PhP 5.9 billion in 2020 from PhP 4.9 billion in 2019 resulting from re-fleeting of hauling equipment.

CAPEX

Capital expenditures (CAPEX) spending went down by 64.5% year-on-year to PhP 4.1 billion in 2020 from PhP 11.6 billion in 2019. Huge capex spending in 2019 was for the life extension project of Unit 1 and 2 of Sem-Calaca Power Corporation.

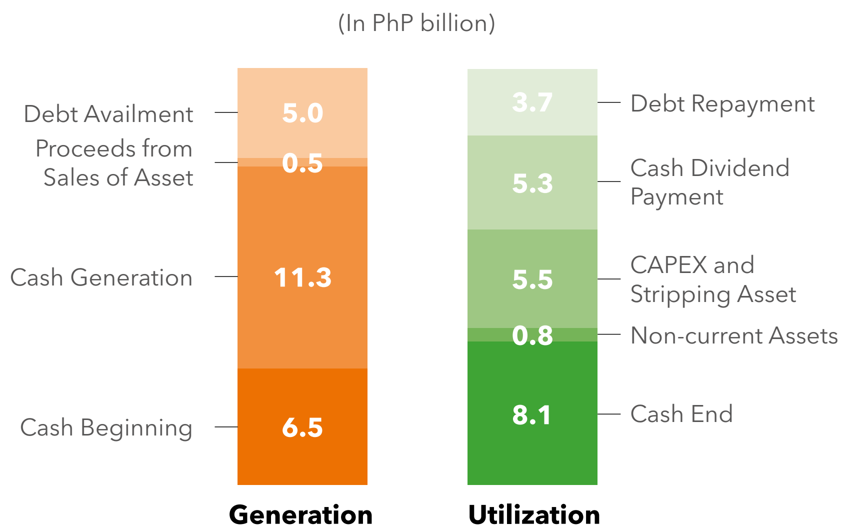
CONSOLIDATED CASH GENERATION AND UTILIZATION

Total consolidated cash available for 2020 was PhP 23.3 billion, composed of cash generated from operations, loan availments, and beginning cash balance.

Of the available cash, PhP 3.7 billion was spent on debt repayments, PhP 5.3 billion was used to pay cash dividends, and another PhP 5.5 billion was used to fund major CAPEX, stripping, and mine development.

Ending cash available closed at PhP 8.1 billion, a 24.6% from the beginning cash available, as the coal segment deferred settlement of short-term borrowing of PhP 2 billion, thus ending with a high cash balance.

In 2020, our overall financial condition remains strong despite the decline in profitability. Consolidated current ratio dipped to 1.41x from 1.54x at the start of the year while debt-to-equity (D/E) ratio went up 0.67x from 0.63x due to an increase in borrowings of SCPC.



Our Industry Partners 102-12, 102-13

Our participation in industry associations is strategic to our collaborative role in the sustainable growth of the mining and energy industries in the country and ASEAN region. We lead, support and actively participate in the development and growth of coal energy in the country and in the ASEAN region, through our memberships in the Philippine Chamber of Coal Mines, Inc. and the ASEAN Forum on Coal (AFOC) National Committee of the Philippines, Inc.

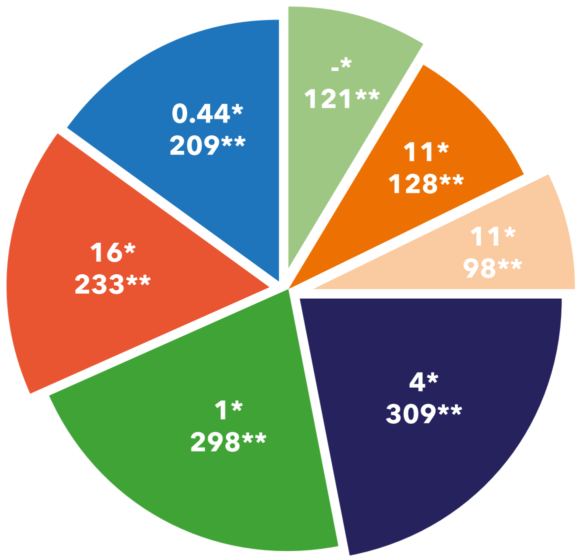
We are also a member of the Philippine Independent Power Producers Association (PIPPA) which aims to advance public policies, legislation and information on governing issues beneficial to providing adequate, reliable and affordable energy in the country.

Community Investments 103-1, 103-2, 103-3

The empowerment of host communities and inclusive growth are present in our company Mission and Vision, becoming an integral consideration in our long-term decisions. Our business activities are linked to the growth of the local economy, where our operations in Antique and Batangas result in taxes and royalties paid to the government alongside local employment.

On the other hand, SMPC also directly invests in the development of its host communities through electrification, the building of infrastructure, and funding for projects under its Social Development Program (SDP).

Social Development Programs
(In PhP million)



- Education
- Sports and Arts Center Facilities and Programs
- Environment
- Livelihood
- Infrastructure
- Health and Safety
- Electrification

1,396
To date

43
2020 Total

*2020
**To date

Equipping our communities with the resources and skills they need to be self-sustaining is the end goal of our SDP. We invest in regional development with a long-term strategy that aims for growth even at the end of our operations in the area.

ROYALTIES

Our performance as a business is directly tied to our financial contributions to our host communities. SMPC's royalties paid to the national government are subsequently distributed among the provincial and municipal governments of Antique and Caluya, as well as our host communities in Barangay Semirara and Tinogboc.

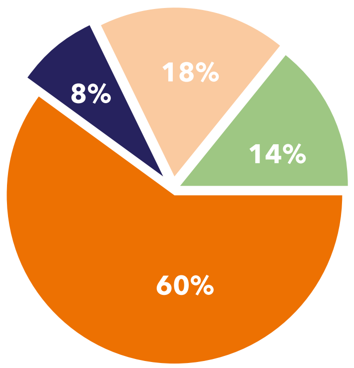
We share our earnings based on our partnership with the DOE, with this year's royalties to the government amounting to PhP 1.8 billion.

Despite the nationwide economic struggle, Caluya remains to be among the top ten municipalities with the highest amount of total revenue in the Commission on Audit's (COA) 2019 report.

Royalties Remitted
(In PhP billion)

Government	2020	To date since 2017
Philippine Government	1.03	16.26
Province of Antique	0.14	2.17
Municipality of Caluya	0.13	4.88
Barangay Semirara and Tinogboc	0.24	3.79
TOTAL	1.72	27.10

Royalty Allocation Share



- Philippine Government
- Province of Antique
- Municipality of Caluya
- Barangay Semirara and Tinogboc

1st
Class Municipality
for Caluya

6th
Ranking among Top 10 Municipalities
with Highest Amount of Total Revenue*

5.79%
Poverty incidence of Barangay Semirara
compared to Antique (19.1%) and national average (16.7%)**

PhP 27.10
billion
Royalties to date since 1997

PhP 1.8
billion
Royalties in 2020

* *Based on Philippine Commission on Audit 2019 Annual Financial Report to the Local Government Vol. I*
** *Based on Municipal Social Welfare Office 2015 data and Philippine Statistics Authority 2018 data*

ELECTRIFICATION 203-1

SMPC empowers its communities with subsidized electricity and electrification projects for the people of Semirara Island. Affordable electricity is available throughout the entire island and is set at a rate of PhP 4.00 to PhP 6.00 per kilowatt-hour (KWh), with a subsidy of PhP 2.50. This subsidy allows consumers at Semirara Island to save as much as 50% compared to Antique's average rate for electricity.

An ongoing partnership between SMPC and the Antique Electric Cooperative (ANTECO) has provided Semirara Island with infrastructure for electrification and power generation for the past two decades.

Our royalty payments to the LGUs have not only enabled economic benefits but also greening projects for sustainable development. Barangay Semirara utilizes 20% from its royalty share allocation for its solar energy electrification. To date, 1,310 solar street lights have been installed throughout the island.

INFRASTRUCTURE 203-1

Connecting Communities
Accessibility in the areas we operate in is enhanced through the investments SMPC makes towards the building and maintenance of road networks, ports, and flyovers.

In July 2020, SCPC and SLPGC completed the rehabilitation of a bridge in Barangay Taklang Anak, Calaca, Batangas alongside DMCI Steel Fabrication. The once-wooden bridge was reinforced with steel to make it safer for public use.

PhP 2.50/ KWh

Continuing subsidy through the Antique Electric Cooperative, Inc. (ANTECO), giving residents an affordable electricity rate of PhP 4.00 to 6.00/KWh

Semirara Island

Our Power Generation Capacity (In MW)

2 x 7.5
Old Thermal Power Plant

1 x 15
Additional Thermal Power Plant

28.9
Diesel Power Plant

1 and 1.5
Portable Generator

61.4
Total Available Power

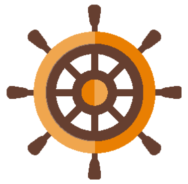
The year also saw the completion and opening of a road connecting Barangay Semirara and Barangay Alegria through the approved Cadastral Road. The 3-kilometer road was done in partnership with the LGUs of Caluya and Barangay Alegria, netting a budget of PhP 8.1 million.

Together with DOE, the local government of Caluya and Barangay Tinogboc, SMPC invested PhP 46 million for the concreting of a 4-km road connecting Barangay Tinogboc and Barangay Semirara. The project started in 2020 and is expected to finish in 2022.

Maintaining Mobility
The local economy has also benefitted from company-funded land and sea transportation used for workers, community members, and cargo alike.

SMPC maintains a passenger boat, the MV Maria Cristina, and a shuttle service for employees and civilians. Due to COVID-19 LGU restrictions, however, travel services through our ferry board were temporarily discontinued.

To adhere to physical distancing protocols, our free shuttle service was continued this year at 50% of its usual capacity for SMPC employees and residents of Semirara Island. There are six scheduled bus trips within a day that serve approximately 1,600 of our people. Over PhP 500,000 is spent annually for the operation of the shuttle service. 203-1



111,443
MV Maria Cristina passengers since 2015

PhP 9.4 million
Maintenance of road network in Semirara Island

24.5 kms.
Length of maintained road network

EDUCATION 103-2, 203-2

Funding for the future talent of our host communities starts with our educators. We subsidize a Master of Arts (MA) Education Program for both public and private school teachers in Semirara Island, allowing them to pursue further education free of charge.

The company also extends financial support to its partner educational institutions, the Divine Word School of Semirara Island, Inc. (DWSSII) and the Semirara Training Center, Inc. (STCI). We continuously invest in the young minds of our local communities through scholarships and the donation of school resources.

A discussion of our education programs is further detailed on pages 95-97.

HEALTH AND SAFETY

103-2, 203-2

We ensure the health of our communities by operating the Semirara Infirmary—a health center that has catered to residents of the island for more than a decade. The infirmary provides both our employees and host community with medical services and delivers our yearly health programs.

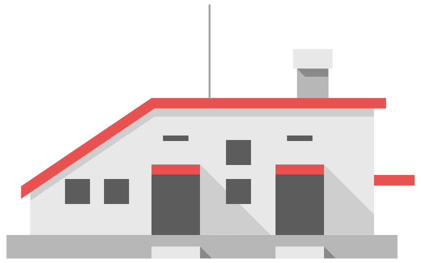
Stakeholder Group	Patients Served			
	2020	%	2019	%
Employees	**9,047**	**53**	14,217	49
Employee Dependents	**3,920**	**23**	8,030	28
Community Residents	**4,018**	**24**	6,488	23
TOTAL	**16,985**	**100**	28,735	100

Our present medical team at the infirmary is composed of four physicians, one dentist, three medical technologists, one radiologic technologist, one X-ray technologist aide, five nurses, and 2 nursing aides.

A discussion of our health programs is further detailed on pages 98-99.

15

Bed capacity of the SMPC Infirmary



LOCAL EMPLOYMENT

103-1, 103-2, 103-3, 202-1, 202-2, 203-2

The company taps into the talent of our local community, hiring approximately 43% of our mine site workforce from Semirara Island or the municipality of Caluya. 58% of our mine site employees are from the provinces of Aklan, Antique, Capiz, Iloilo, and Mindoro; while 61% of our power plant employees reside in Calaca and Balayan.

With this, we remain to be the largest employer of the Semirara Island, with the year's mine site payroll amounting to PhP 1.57 billion. We meet an average pay ratio of 1:1 compared to the local minimum wage.

Employees by Origin

Year	Segment	No. of Employees	Aklan, Antique, Capiz, Iloilo, and Mindoro	Calaca and Balayan, Batangas
2020	**Coal**	**3,169**	**56%**	
	Power	**498**		**61%**
TOTAL		**3,667**	**48%**	**9%**
2019	Coal	3,229	54%	
	Power	455		75%
TOTAL		3,684	48%	9%

A significant proportion of our management is also hired from the local community. 53% of our power segment's management are residents of Batangas.
All members of our Board of Directors and key officers are Filipino nationals.

ENTREPRENEURSHIP AND LIVELIHOOD SUPPORT

103-2, 203-2

Invigorating the local economy with our business presence involves our support for micro, small, and medium enterprises (MSMEs) through livelihood programs and training.

In carrying out our programs and expanding the participation of our local community, we partner with the local government and agencies such as the Department of Trade and Industry, the Department of Science and Technology, and the Cooperative Development Authority.

Semirara Island's business profile is primarily populated by MSMEs from Barangay Semirara that engage in retail and service. A total of 85% of the island's 382 registered businesses are based in Barangay Semirara.

In Batangas, SCPC and SLPGC supported local agricultural activity through the donation of seedlings in Calaca and Balayan. This contribution was made to move along the progress of the "Gulayan sa Barangay" project of Barangays Baclaran, Durango, and Carenahan; where residents benefit from a community-based vegetable nursery.

Photo taken before pandemic lockdown

Featured Story

Tailoring Livelihood for the Semirara Women's Association 203-2

In 2019, SMPC's Social Development Office sought to train the women of Barangay Semirara in sewing and tailoring as a means of livelihood. The project was supported by the LGU of Barangay Semirara, who donated 6 sewing machines and a cutting machine.

The group of women under the Semirara Women's Association (SWA) later paved success for themselves through the production of 170 kilograms of rags and 163 souvenir bags priced at PhP 47 and PhP 247 each, respectively.

With the SWA's enhanced capacity to produce tailored products, SMPC has been eyeing the group as the next supplier of the company's employee uniforms. DWSSII, SMPC's partner school, is also a potential customer for the SWA for the tailoring of student uniforms.

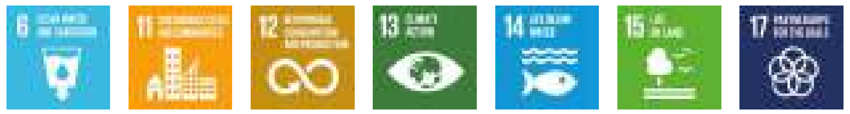
Barangay Chairman Catherine Lim voiced her support for the project and women, stating,

"Dahil ang mga kababaihan ay may kakayanang itaguyod ang sarili nilang livelihood projects, binigyang prayoridad ng barangay ang pagkakaroon ng sewing livelihood project para sa kanila. Handog namin ito para sa mga kababaihan sa Barangay Semirara."

Photo taken before pandemic lockdown

Managing our Resources, Minding our Impact

As an integrated coal and power company, SMPC takes on a non-compromising approach to ensuring the sustainability of our business while managing environmental impacts.



Climate-related Risks and Opportunities 201-2

Archipelagic nations such as the Philippines are cited to be the most vulnerable to effects wrought by climate change. The far-reaching impacts of the climate crisis affect all sectors within the country as increasing natural disasters damage the economy and ecology alike.

With this in mind, SMPC has developed an integrated system for addressing and monitoring climate-related risks that can augment the Company's decision-making processes.

Our climate-related disclosures are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We believe the adoption of TCFD recommendations embodies an important step towards establishing a widely accepted framework for climate-related financial risk disclosures.

Our Board policy commitment to act on climate change is underpinned by carbon management practices. We recognize that climate change is a strategic risk with the potential to disrupt the business. Such disruptions have been felt by our business units through:

- The increased frequency and severity of extreme weather events with impacts on company infrastructure, projects, supply chain, safety, and production.
- Incoming national policy changes that seek to control emissions and gradually transition to a low carbon economy.
- Divestment of financial and equity market from coal energy investments, among others.

To set the stage for resilience and protect long-term shareholder value, our sustainability approach is focused on the following actions:

- Climate-related risks and opportunities addressed as a Board agenda.
- Capacity-building on Environmental, Social, and Governance (ESG) at different levels of the organization.
- Embedding climate-related risks and opportunities in our business process through our integrated management system.
- Communication of key climate-related material information to stakeholders.

Our climate change program focuses on managing climate-related risk and opportunity; strengthening our policy, reporting, and communication; and collaborating with stakeholders.

Our carbon performance is measured by our carbon emissions and intensity, and the monitoring of set internal emission reduction targets aimed towards integrating into decision making.

TCFD Recommended Disclosures 102-11, 201-2

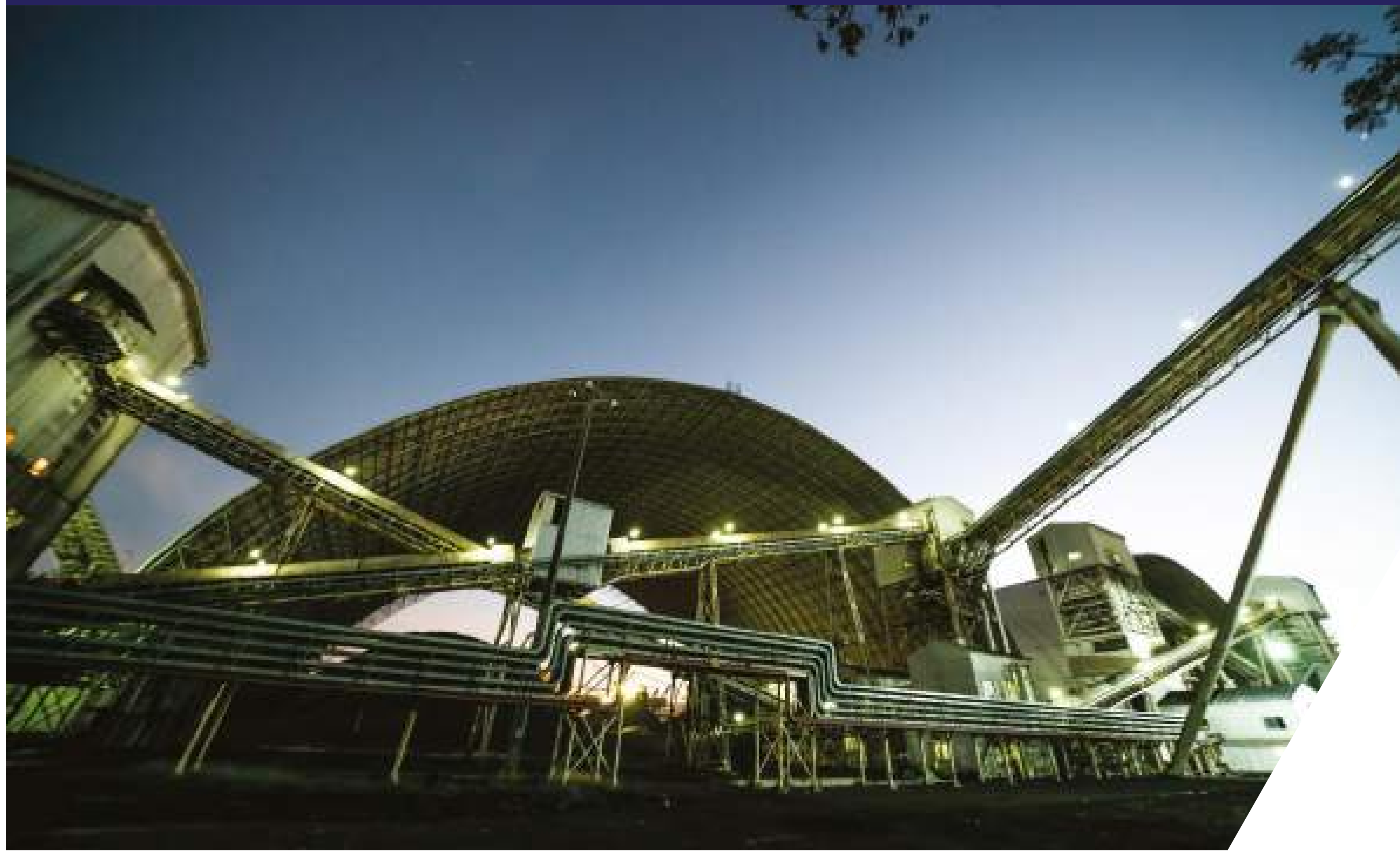
	2020
GOVERNANCE Both our Board and Management regularly assess and evaluate climate-related risks and opportunities relevant to business sustainability.	• Board-approved Climate Change policy in 2017 and monitoring of climate-related legislation's impact on Coal and Power segments • Board-level reporting and oversight to monitor carbon and ESG performance • Defining management approach, tracking and monitoring of carbon emissions, water, and energy performance since 2019 • Updated Board's Risk Committee Charter to integrate climate-related, ESG and sustainability oversight in 2020
STRATEGY Our organization enhances its adaptive capacity for responding to risks and opportunities such as resource efficiency, cost savings, physical and transition risks.	• Water resource management plan since 2018 • Integrated carbon emissions, water conservation, and energy plans in our operational strategy in 2020 • Integrated emerging climate related issues and government commitments during strategic planning in 2020
RISK MANAGEMENT We utilize a GRC framework for assessing and evaluating the risks of transitioning to a low carbon economy and physical risks of climate change.	• Updated Group Enterprise Risk Management (ERM) policy and Risk Register in 2020 to integrate climate and TCFD Recommendations • Updated environmental policies since 2017 • Collaborative partnerships with government agencies, government units and host communities for proactive disaster and emergency preparedness
METRICS AND TARGETS Our reporting metrics and targets are aligned with GRI and international standards, guiding assessment of sustainability performance.	• Establishment of carbon mitigation, water conservation, and energy efficiency targets in 2020 • Conformance of the Power segment's GHG reporting framework to ISO 14064-1:2011 Standards on Quantification and Reporting of GHG and Removals in 2018, and continuing application to date • Internal audit assurance of alignment of the Coal segment's GHG Inventory Management Plan against the ISO 14064:2011 Standards, Greenhouse Gas Protocol of World Resources Institute, 2006 IPCC 5th Assessment Report, and Ozonaction Kigali Factsheet since 2019
REPORTING AND COMMUNICATION We enhance the disclosure of our material issues to key stakeholders through different platforms and communication tools.	• Disclosure of climate related matters and sustainability performance in our SEC annual report and integrated annual and sustainability report since 2019

201-2

Our Key Physical Risks

1. Increased number and severity of extreme weather events (i.e., monsoons, typhoons)
    a. Reduced output due to work stoppage and shipping delays
    b. Damage to reforested mined areas, equipment and infrastructure
    c. Increased cost for pit dewatering and seepage management
    d. Rain induced land and/or mudslides; mine site safety
    e. Reduced coal quality due to increasing moisture content

2. Sustained high temperature
    a. Increased operational cost and emissions to control spontaneous combustion of coal stockpile; increased costs for alternative water sources
    b. Heat stress for at-risk employees
    c. Reduction in power energy efficiency and power generation output due to increased ambient temperature and warmer water



Our Recent Climate-related Developments, Risks, and Opportunities 201-2

RISK	POTENTIAL FINANCIAL IMPACT
Physical	
Acute and Chronic Physical Events Impact of extreme weather events such as intense rainfall, cyclones, and flooding.	• Approx. PhP 47.6 million increased costs from damage to capital assets, facilities, and telecommunications infrastructure • Supply chain disruptions such as availability of critical parts or access to critical outsourced services • Increased insurance premium cost and potential for reduced or limited cover
Transition	
Policy and Regulatory Potential for new laws to increase cost, related to compliance or cause disruptions to the business.	• Republic Act 10963 Tax Reform for Acceleration and Inclusion *Higher excise taxes on coal from P100/MT on January 1, 2019, to P150/MT on January 1, 2020. The Philippine tax regime allows the passing of such tax to customers.* • Republic Act 9513 Renewable Energy Act of 2008, Department of Energy (DOE) Circular No. DC2017-12-0015 Renewable Portfolio Standards (RPS) Rules for On-Grid Areas *Mandated electric power industry participants to source or produce a specified portion of their electricity requirements from eligible renewable energy (RE) sources. Annual increment is initially set at 1% of prior year's Net Electricity Sales of the mandated participants.* *SMPC sells directly to generation companies, retail customers, distribution utilities and the spot market, none of whom have required that a fraction of the supplied electricity come from RE sources. While the RPS law reduces potential market opportunity for thermal power sales, we are prepared to procure electricity from RE producers to meet said requirement.* • DOE enforces moratorium on new coal power developments, except energy projects that are already endorsed or have already secured permits including the Department of Environment and Natural Resources' (DENR) Environmental Compliance Certificates (ECCs) *Ventures covered by the coal moratorium will be new or greenfield power plant developments that are still requesting for endorsements from the energy department.* *Our power expansion project in the pipeline has been issued the DENR ECCs and with prior DOE endorsement, and thus, is not covered by the moratorium.* *Coal will continue to play an important role in the energy security program of the government as a provider of affordable baseload power.*

201-2

RISK	POTENTIAL FINANCIAL IMPACT
Technology Innovations that support the transition to a low carbon economy and energy efficiency.	• Costs to adopt low-carbon technology and processes • Limited access to parts and service availability of coal-fired plants by gradual divestment of international original equipment manufacturers (OEMs) & suppliers
Markets Change in coal and power market and customer behavior.	• China's imposition of coal import quota as part of its commitment towards carbon neutrality by 2060 *Weakened the global coal market supply and demand and drop in global coal index pricing.* • Growing commitment to transition to low-carbon economy over the long-term within the region, such as South Korea and Japan *Reduced new coal market opportunity.*
Divestment and Reputation Stigmatization of sector, global shift of investors and capital market from coal energy investments, and negative stakeholder feedback.	• Negative share price impact from divestment • Limited access to capital, or incremental cost in capital expenditures and working capital financing

OPPORTUNITY	POTENTIAL FINANCIAL IMPACT
Resource efficiency Use of more efficient mine equipment and modes of transport, recycling.	• Republic Act 11285 Energy Efficiency Law *Improved profitability through operational cost efficiency*
Energy source Diversification through the implementation of pilot renewable energy projects.	• Cost of capital investment

Energy Use and Emissions

ENERGY RESOURCE MANAGEMENT

103-1, 103-2, 103-3

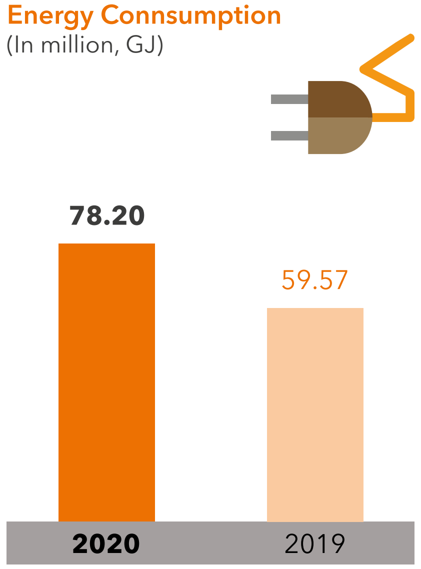
As a business that uses heavy equipment and runs several facilities for generating power, we aim to strictly manage our energy consumption only for operations relevant to our business and communities.

This year, our business segments pivoted towards supporting the country's fight against the pandemic while providing uninterrupted services to its stakeholders all throughout the year.

The 31% increase in our energy consumption during the year is mainly attributed to the additional gross generation from power assets and from the additional service vehicles and on-site facilities provided to ensure workforce safety during the pandemic.

We align our energy management practices to ISO 50001 Energy Management System standards and move towards compliance with the Republic Act 11285, or the Energy Efficiency and Conservation Act. In 2020, we focused on continued capacity building, including the establishment of policies and programs on energy efficiency and conservation.

Energy Connsumption
(In million, GJ)



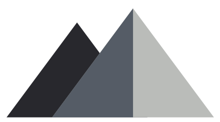
Energy Consumption within the Organization 302-1

ENERGY SOURCE (In GJ)	2020	2019
Renewable	-	-
Non-renewable*	61,579,952	45,095,087
Electricity Consumption	1,417,309	1,128,738
Electricity Sold	15,200,477	13,341,703
TOTAL	78,197,738	59,565,528

**Includes gasoline, diesel, coal, and oil*

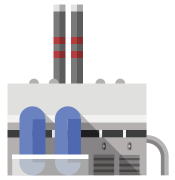
Energy Intensity 302-3

0.71



Coal
(In GJ/ton of coal produced)

14.70



Power
(In GJ/MWh produced)

EMISSIONS MANAGEMENT

103-2, 103-3

Our coal energy business exposes us to higher compliance costs and stakeholder obligations related to GHG emissions.

SMPC's emission management system utilizes several policy frameworks alongside compliant control facilities and technology to monitor and mitigate our emissions. Emissions from our coal-fired power plants mainly consist of greenhouse gases (GHG), nitrogen oxides (NOx), sulfur oxides (SOx), and other particulates. Electrostatic precipitators, limestone injections, wet scrubbers, and cyclone separators are used to control particulate matter and prevent the formation of emissions such as SOx. Fly ash collected from these procedures are either used as a cement additive or sold for additional revenue.

Watering proves an effective method for controlling dust emissions with the use of sprinklers, mobile water trucks, atomizers, and cannons during our coal operations.

Greenhouse gas emissions are measured with reference to ISO 14064-01:2018 standards, Greenhouse Gas Protocol Standards, and the Intergovernmental Panel on Climate Change (IPCC) guidelines.

Monitoring of our emissions ensures that we are able to conform to the Ambient and Source Emissions Standards and other DENR mandates. Our monitoring systems include the Continuous Emission Monitoring System (CEMS), use of closed-circuit televisions (CCTVs), Stack Emission Monitoring, and Ambient Air Quality Monitoring.

While environmental sampling activities were not carried out due to strict lockdowns, we resumed external ambient air sampling in the 3rd and 4th quarter once restrictions were eased.

Despite lower coal production in 2020, our Coal segment's total Scope 1 emissions registered at 1.27 million in tons of CO_2e, or a 4% increase from 2019. This was mainly due to the additional dewatering pumps for seepage management and further contribution from operational variables (e.g., pit depth and hauling distance travel). Mobile combustion from heavy mining equipment accounted for 40% of the segment's Scope 1 emissions.

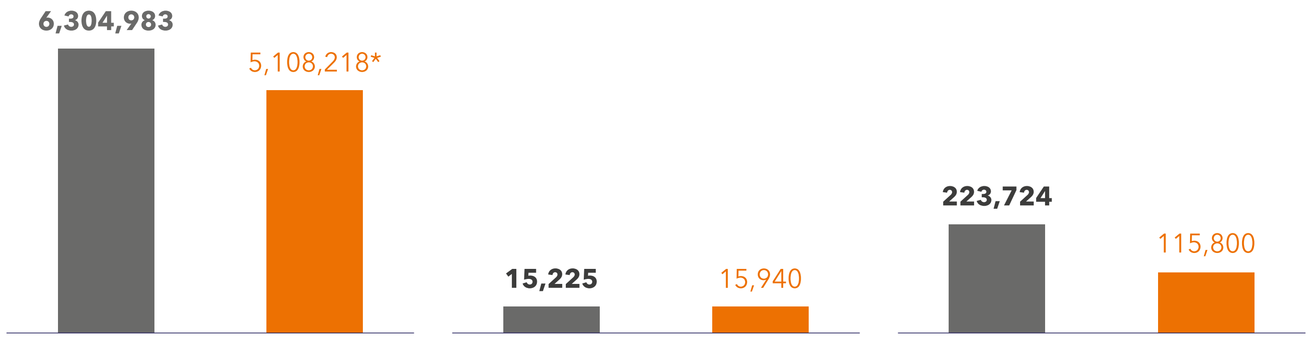
Our Power segment's 30% higher generation output resulted in 5.04 million in tons of CO_2e and accounted for the 29% rise in its direct GHG emissions. SCPC's Units 1 and 2 contributed to 61% of total emissions, while SLPGC's Units 3 and 4's decline by 25% in operating hours of said units resulted in reduced emissions when compared to last year.

102-48, 103-2, 305-1, 305-2, 305-4

Direct (Scope1) GHG Emissions
(In tCO_2e)

Indirect (Scope 2) GHG Emissions
(In tCO_2e)

GHG Emissions Intensity
(Tons CO_2e per billion revenue/sales)



Note:
Scope 1 – Direct GHG emissions from sources that are owned or controlled by SMPC, including emissions generated by own power plants, coal stockyard, and mining equipment.
Scope 2 – Indirect GHG emissions from purchased electricity.
**Restatement due to an inputting error, previously reported as 4,790,330 in 2019.*

2020 2019

The 23% increase in GHG and the 36% revenue drop brought about by the confluence of weaker coal and Wholesale Spot Electricity Market (WESM) power prices and decrease in electricity demand, accounted for the higher GHG intensity per revenue sales in 2020. In terms of output, GHG intensity level in the Coal segment increased due to pit seepage management activities during the year.

While mining and power expansion activities may impact our 5-year internal emission reduction targets, we continuously invest in carbon sequestration through mangrove and inland reforestation programs.

Bio-sequestration is a driving factor behind our reforestation activities in Semirara Island. By planting and protecting mangrove forests, we aim to enable an ecosystem capable of absorbing GHG emissions.

Adopting methods that involve responsible propagation of flora have become one of the ways in which SMPC broadens its measures towards offsetting emissions.

Emissions Intensity 305-4
(Tons CO_2e per production/generation)

	2020	2019
Coal (in tons CO_2e/ ton of coal produced)	**0.10**	0.09
Power (in tons CO_2e/ MWh generated)	**1.08**	1.08

Water Resources and Effluents Management

WATER RESOURCES MANAGEMENT

103-1, 103-2, 103-3, 303-1

Water is a shared resource among our people, business, and local communities. Our water-intensive coal energy operations require proactive policies and water management practices to ensure continuous access to water for operations and the communities.

The business withdraws from several adjacent sources of surface water and groundwater prior to treatment and use. River water, prior to its use at the plant, undergoes demineralization process. It is then converted to steam for turbine power generation. Sea water is run through the desalination treatment at Semirara Island prior to distribution for domestic use by residents and employees or power generation. Excess water withdrawn is returned to the sea after its treatment.

Several monitoring measures and information campaigns are in place to observe both water quality and quantity used. Freshwater, groundwater, and seawater monitoring and testing are conducted at our Coal and Power segments quarterly.

Our Coal segment was not able to conduct its monthly external effluent quality monitoring during the months of April to August 2020, due to travel restrictions of pandemic lockdown. Power segment's third-party laboratory services for sampling monitoring and compliance activities resumed after the easing of COVID-19 restrictions.

COAL OPERATIONS

We tapped alternative water sources to further minimize the impact of our operations on the water resources of the island. We operate a desalination plant in Semirara Island as part of our water conservation program to reduce freshwater dependence.

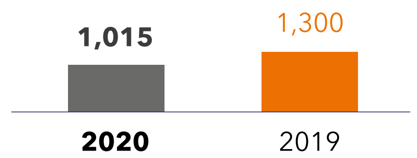
These include the impounded rainwater in Sanglay and a rainwater collection system to support our operational needs. In 2020, 3 rainwater tank units with a combined capacity of 180,000 liters were installed in strategic locations within the mining complex. We have withdrawn approximately 655,000 liters since the tanks were operational.

Groundwater consumption at the mine site increased mainly due to the hygiene and sanitation protocols crucial to the COVID-19 containment measures.

Water Withdrawal 303-3
(In Megaliters)

COAL OPERATIONS SOURCE	2020	2019
Surface Water		
Bunlao Spring	**140**	46
Sanglay Spring	**366**	64
Sanglay	**441**	489
Ground Water		
Puntod Deep Wells	**164**	15
Unong Deep Wells	**-**	16
Fresh Water Well No. 6	**129**	56
Sea Water		
Ilugao Bay	**32,655**	28,184
Third party	**-**	-
TOTAL	**33,895**	28,870

Desalination Plant Production
(In Megaliters)



POWER OPERATIONS

103-2

The 7% increase in total water withdrawn from 2019 was primarily due to the 30% increase in gross generation. Furthermore, during the enhanced community quarantine lockdown, we provided staying-in facilities and amenities for key personnel, which resulted in the increased groundwater withdrawals for domestic purposes.

EFFLUENTS MANAGEMENT

303-2

Treatment for our effluents is undertaken at our pollution control facilities which comply with Republic Act No. 9275 (Clean Water Act) and DENR Administrative Order No. 2016-08 (Water Quality Guidelines and General Effluent Standards of 2016).

Our wastewater treatment facilities include pocket sumps, settling ponds, cooling canals, and oil and water separators for our mining operations. Neutralization ponds, oil-water separator ponds, and coal sedimentation ponds are used for effluents from the Power segment.

The dominant water discharge composition which undergoes treatment comes from the cooling water and effluents of our plants. Primary sources of discharge include the Calaca Plant condenser outlets and outfall discharge, neutralization pond, and the Coal segment's sedimentation pond.

After treatment, approximately 95% of our water withdrawals are returned back to Balayan Bay, Batangas and 92% to Ilugao Bay, Semirara Island. Water not returned is lost due to condensation and unaccounted water use such as cleaning and fire hydrants.

We assess and monitor our effluents periodically alongside third-parties and in-house monitors. Effluent quality monitoring is conducted monthly by our Environmental unit and quarterly by a DENR-accredited third party. The monitoring results are validated by a Multi-partite Monitoring Team (MMT).

COVID-19 restrictions caused the temporary discontinuance of our compliance sampling activities from April to August 2020—a setback that was duly reported to the DENR EMB Region 6 and MMT by our Coal and Power segments.

Water Withdrawal 102-48, 303-3

(In Megaliters)

POWER OPERATIONS SOURCE	2020	2019**
Surface Water		
Dacanlao River	**1,326**	959**
Ground Water		
Ground Water	**92**	26**
Sea Water		
Balayan Bay*	**905,987**	845,937**
Third party	**-**	-
TOTAL	**907,405**	846,922**

Water withdrawn passes through the Water Treatment Plant. 50% is converted into demineralized water for boiler use, while the remaining 50% recovery at WTP discharged to Balayan Bay is within the DENR limit.

*** Restatement due to inputting errors, previous values reported for surface water, ground water and sea water withdrawals as 958; 25; and 892,739 megaliters, or total 893,722 respectively in 2019.*

Water Consumption 102-48, 303-5

(In Megaliters)

	2020	2019**
Coal Operations	**2,255**	2,317
Power Operations	**1,408**	977*
Corporate Office	**0.28**	1.18
TOTAL	**3,664**	3,295*

** Restatement due to inputting errors, previous values reported for Power Operations and Total as 42,169 and 44,488 megaliters, respectively in 2019.*

Water Discharge 102-48, 303-4

(In Megaliters)

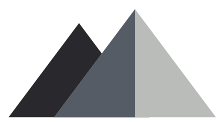
	Discharge Location		2020	2019**
Coal operations	Sea Water	Ilugao Bay	**31,640**	26,553
Power operations	Sea Water	Balayan Bay	**905,996**	845,945*
Corporate Office	Drainage	Makati City	**1**	0.0009
TOTAL			**937,637**	872,498*

** Restatement due to inputting errors, previous values reported as 851,553 and 878,106 for Power operations and Total values, respectively in 2019.*

Total Water Withdrawal

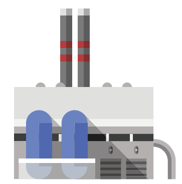
(In Megaliters)

33,895



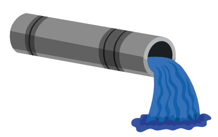
Coal

907, 405



Power

941,300



Total

Freshwater Withdrawal Intensity*

Megaliters per production/ generation

0.000094

Coal

(Megaliters/ton of coal produced)

0.000303

Power

(Megaliters/MWH generated)

** Includes surface water and groundwater withdrawals*

Land Resources Management 103-1, 103-2, 103-3

The nature of our business directly impacts the composition of the ecosystems as we fulfill our license to operate.

Our land resource management aims to restore and develop mined-out and open areas through engineering and environmentally-aligned practices. Reforestation and the steady propagation of plant and animal species in these areas not only has the potential to restore land to its former state over time, but also improve sustainability until eventual relinquishment of land to the stakeholders.

MINE REHABILITATION

We uphold responsible mining through the thorough implementation of mine rehabilitation at the end of our extractive operations. Our rehabilitation of the closed Panian and Unong mines is reflective of a successful responsible mine closure approach collaborated by our strong partnership with the Department of Energy (DOE).

We completed the fastest large-scale open mine rehabilitation in the country in 2019. SMPC accomplished its South Panian rehabilitation in 21 months, an undertaking that is normally completed in 5 to 10 years because of its scale and complexity.

This year, we continued the reforestation of the South Panian pit and rehabilitation of the North Panian pit.

South Panian Mine
100% Accomplishment

PhP 2.9 billion
Total spend
for the accelerated rehabilitation

170.2
Volume of backfilled materials
(In millions, BCM)

168
Area
(In Hectares)

+5 to +11
Rolling elevation
(Meters above sea level)

378,847
Surviving trees

PhP 4.5 million
Reforestation spend

North Panian Mine
Ongoing Rehabilitation

124
Area
(In Hectares)

114.7
Volume of backfilled materials
(In millions, BCM)

+7
Rolling elevation
(Meters above sea level)

Rehabilitation of the North Panian pit follows a process similar to the science-based approach used for the successful South Panian rehabilitation, where the pit is continuously backfilled to reach optimized conditions for land function and biodiversity in the area. Until the target topography and elevation are reached, the process then commences towards the implementation of ecological enhancement measures and regular monitoring.

New procedures and installations during the year ensured better survivability of trees planted in the area. Drainage canals were built on flat surfaces to prevent trees from being submerged, of which the lower elevated portion of the site was prone to during the rainy season.

The return and observance of both endemic and migratory floral species and wildlife in the area are signs of progress. This year, the Philippine Wild Duck *(Anas luzonica)* was sighted at our rehabilitation site. The Philippine Wild Duck is categorized as endangered under the national conservation status, making its presence in Semirara Island a remarkable indicator in our rehabilitation progress.

MATERIALS USE

103-1, 103-2, 103-3

The DOE, through Coal Operating Contract No. 5, authorizes SMPC to explore, develop and extract coal resources in Semirara Island. Coal has a strategic position as an affordable, reliable indigenous fuel in the Philippine energy security plan.

As a vertically-integrated energy company, coal serves as both primary product and our resource to produce low-cost baseload energy. Our power generation plants require the use of non-renewable materials such as coal, diesel, and gasoline.

In managing our materials, we deploy coal-stocking measures at minimum inventory for our Power segment, to prevent hazards such as spontaneous combustion and control waste. Our diesel and gasoline are stored at a fuel depot in Semirara Island in preparation for potential supply interruptions and to keep inventory.

Considered as essential industries to support the country's fight against the pandemic, our businesses were allowed to ship and/or receive deliveries of coal, diesel, and gasoline deliveries which were necessary for the coal and power generation requirements of our customers.

Non-renewable materials in tons increased by 23% due to the additional power generation in 2020, while the 19% increase in non-renewable materials in liters was due to the additional diesel requirement in mine seepage management. Additional diesel consumption was due to our mine site diesel power plant which served as backup to power requirements when the main coal plant unit underwent a maintenance shutdown during the year.

Materials Used by Weight or Volume 301-1

(In Millions)

Type of Materials	Unit	Description	2020	2019
Renewable	tons / liters	None	-	-
Non-Renewable	tons	Coal, light and heavy oil, limestone, hydrazine hydrate, and liquefied petroleum gas (LPG)	**3.19**	2.58
	liters	Diesel, gasoline, bunker fuel, and oil	**219.15**	183.60

WASTE MANAGEMENT

103-1, 103-2, 306-2

SMPC has established waste management systems in place to ensure waste materials are accounted for and disposed of in a safe manner.

Coded bins for segregating trash are placed at strategic points throughout our workplace. Recyclables collected from our workplace are then stored in Materials Recovery Facilities (MRF) before being sold to recyclers. Apart from MRFs and storage facilities, SMPC houses its own composting facility for biodegradable materials.

We seek ways for our waste materials and by-products to be optimized in the value chain. Used oil is reused as start-up fuel for our power plants, while the bottom ash is used as a construction material additive for activities such as concrete hollow block making. We donated bottom ash to Calaca-based Asosasyon ng Dacanlao sa Higit na Kaunlaran (ADHIKA) Multipurpose Cooperative and other community residents for hollow block making and livelihood prospects during the year. Residual coal collected along the conveyor line is used for powering pottery kilns.

To reduce solid waste at the Calaca plant complex, we enforced a total ban on single-use plastics for on-site employees, visitors, and contractors.

Waste by Type and Disposal Method 306-2

(In Tons)

Waste Type	2020	2019	Waste Disposal Method
Non-Hazardous	**484**	1,285	• Composting • Materials Recovery Facility (MRF) for storage, recycling
Hazardous	**179**	59	• Bulb crushing • Chemical immobilization • Decontamination, size reduction, encapsulation • Dismantling, constituting, recycling • Encapsulation after physical fixation • Hydroclave • Oil recovery • Physical fixation • Reclamation • Recycling, recovery, constituting, disposal

Transport of Hazardous Waste 306-4

(In Tons)

SEGMENT	2020	2019
Coal	**115**	32
Power	**64**	28
TOTAL	**179**	59

Featured Story

Managing Hazardous Waste During the Pandemic

Managing waste and keeping communities clean is a collective effort. This year, SMPC partnered with the Barangay Semirara Environmental Committee in its latest training program on waste management for COVID-19 wastes.

The Committee, headed by Barangay Kagawad Brenda Jocson and composed of four other personnel, was briefed on the basic practices of hazardous waste handling and COVID-19 waste encapsulation. The six-day training program conducted by SMPC is aligned with EMB and DOH guidelines, as well as DENR-DOH Administrative Order No. 2 series 2005 policies related to managing health care waste.

To aid in the implementation of waste management, SMPC constructed an infectious waste storage facility and provided equipment such as shovels, pallet trucks, carts, cement, garbage bags, and PPEs for the Committee.

To date, approximately 0.5674 metric tons of infectious waste were encapsulated in the constructed facility. These will then be transported by SMPC to a DENR-EMB accredited facility for eventual treatment and disposal.

Featured Story

Ecobricks Challenge and Upcycling Contest

Reducing plastic use is not only about one's personal move towards reusable and eco-friendly alternatives, but also encouraging proactive efforts as a community for a sustainable, plastic-free lifestyle.

In line with this, SMPC started the "Ecobricks Challenge" with its employee housing communities at Semirara Island in July 2020. The challenge inspired members to collect plastic waste within their area and convert them into ecobricks, which are used in the construction of low-level infrastructure.

The challenge yielded the collection of nearly 3 metric tons of plastic waste in the span of one and a half months. Housing Area 2, the challenge winner, crafted a total of 731.6 kilograms of ecobricks. Resident Carlo Rey Robles of Area 2 won the individual category for contributing 123.1 kilograms of ecobricks or 221 plastic-filled PET bottles.

A portion of the collected ecobricks, and some construction materials, were donated to Villaresis Elementary School for building the school perimeter wall. The remaining ecobricks will be used in constructing low-level infrastructure like tanod outposts for barangay LGUs.

Meanwhile, the Upcycling Competition was held at Sitio Cabitin in partnership with the BLGU-Semirara. Residents showcased their creativity and ingenuity in upcycling waste into plant boxes, Christmas decorations, garden ornaments, and a living room set.

"Di ko akalain yung mga basura na in-upcycle namin ay magiging pera pa. Thank you sa SMPC sa programang ito,"

-said Neneth Lucena as she brought home groceries worth P10,000 as the grand prize for her upcycled garden ensemble.

Nurturing Our Environment 304-1

MARINE PROTECTION

103-1, 103-2, 103-3, 304-1, 304-2

SMPC's sites operate along the coastal areas of Semirara Island and Calaca, Batangas. We continue to mitigate our environmental impact by tracing our waste and water discharge, while at the same time, boosting the local community's capacity building for marine stewardship. We also strengthen our public-private partnerships with local government units (LGUs), the Bureau of Fishery and Aquatic Resources (BFAR), and local fisherfolk in Semirara Island to protect a marine sanctuary and two Marine Protected Areas (MPAs) along the coastal waters of Barangay Semirara, Tinogboc, and Alegria. Our stakeholders are further engaged through our Information, Education, and Communication (IEC) campaigns.

Our Marine Ecology Assessment is conducted alongside the government to monitor the impacts of our business activities on local marine life and ecosystems.

Our Cawong and Dacanlao River clean-ups initiated in 2013 resumed this year in partnership with the DENR-EMB Region IV-A and local communities. A total of four river and coastal clean-up activities were undertaken in 2020.

Through the years, SMPC has also invested in espousing programs for marine protection. Our marine rehabilitation initiatives through the Semirara Marine Hatchery Laboratory (SMHL) at the island include the propagation and care of abalone, coral fragments, seagrass, and several giant clam species, including the world's largest clam species endemic to the island–*Tridacna gigas*.

The giant clams are bio-indicators of the overall health of the surrounding marine ecosystem in which they reside. Over time, they act as natural barriers that help coastal communities in withstanding natural disasters. Our successful propagation of giant clams along the island coastline proves that responsible mining and rich marine life is possible.

Habitats Protected 304-3
(In Hectares)

LOCATION	Area
Semirara Island, Antique	
Marine Protected Area (MPA), Barangay Tinogboc, Caluya, Antique	49.77
Marine Protected Area, Barangay Alegria, Caluya, Antique	87.95
Marine Hatchery and Laboratory	150.00
Biodiversity Conservation Center	2.00
TOTAL	289.72
Calaca and Balayan, Batangas	
Dacanlao and Cawong Rivers (1,600 square meters)	0.16*
Adopt an E-NGP Site Barangay Patugo Balayan, Batangas	50.00
TOTAL	50.16

** Approximate area as the adopted riverbank is three kilometers*

Status of Giant Clams 304-4

	2020	2019
Propagated	**137,917***	180,485
Reseeded	**66,930***	84,778
IUCN Red List species	**2****	8

** Mortalities due to the impact of Typhoon Ursula in December 2019 accounted for the drop of species population in 2020.*
*** T. gigas & T. derasa listed as Vulnerable*

REFORESTATION

103-1, 103-2, 103-3, 304-2

SMPC's sustainability approach for its reforestation endeavors does not only aim to restore vegetation disrupted by our mining activities, but also to enhance nearby areas through active monitoring and engineering methodologies.

Our carbon sequestration program is currently focused on reforestation for both Coal and Power segments.

We undertake reforestation in areas even beyond our mine site while working with environmental consultants and the local government units to tap areas that would most benefit and rationalize additional tree planting and carbon sequestration.

Mangroves, or *bakawan*, play a vital role in coastal communities. They serve as shields from strong winds and waves caused by typhoons. More importantly, they have a large capacity to absorb carbon, keeping the level of carbon dioxide in the atmosphere at manageable levels and helping the reduction of greenhouse emissions.

Notwithstanding our continuing efforts to rehabilitate disturbed areas, we strive to improve the existing terrestrial ecosystem in Semirara Island. We plant and protect greeneries outside of our mining areas including the preservation and expansion of its mangrove population.

Finding the right species to thrive and maintaining a decent survival rate in a mining area is a challenge that we recognize. Operations and potential mine expansion also affect our progressive reforestation efforts. Extreme weather events such as Typhoon Ursula in December 2019 have caused setbacks in the propagation of both flora and fauna. Despite these challenges, we continued our replanting efforts during 2020.

Inland Reforested Trees Planted

	2020	2019
Semirara Island, Antique		
Inside the mining complex (since 2000)	**918,647 trees in 496.95 hectares**	1,013,141 trees in 634.23 hectares
Outside the mining complex (since 2000)	**965,893 trees in 588.55 hectares**	840,633 trees in 468.61 hectares
Mangroves (since 2002)	**636,898 hills in 195.41 hectares**	644,063 hills in 196.43 hectares
Batangas		
Trees (since 2017)	**15,735 trees**	9,011 trees

Conservation Status of Tree Species Propagated in Semirara Island 304-4

IUCN[1] Red List	Common Name	Scientific Name	Population (2020)
Endangered	Narra	*Pterocarpus indicus*	**100,397**
Vulnerable[5]	Mahogany	*Swietenia macrophylla*	**3,537**
	Mancono	*Xanthostemon verdugonianus*	**25**
	Supa	*Sindora supa*	**17**
Least Concern	Balisayon	*Terminalia microcarpa*	**4,406**
Near Threatened	Ipil	*Intsia bijuga*	**568**
Least concern	Molave	*Vitex parviflora*	**99,986**
Not evaluated	Dau	*Dracontomelon dao*	**1,175**

National Conservation List[2]	Common Name	Scientific Name	Population (2020)
Endangered[3]	Mangkono	*Xanthostemon verdugonianus* Naves ex Fern.-Vill	**25**
	Molave	*Vitex parviflora* Juss.	**99,986**
	Supa	*Sindora supa* Merr.	**17**
Vulnerable[4]	Narra	*Pterocarpus indicus* Wild. Forma *indicus* *Pterocarpus indicus* Wild. Forma echinatus	**100,397**
	Ipil	*Intsia bijuga* (Colebr.) Kuntze	**568**
	Dao	*Dracontomelon dao* (Blanco) Merr. & Rolfe	**1,175**
Not listed	Balisayon	*Terminalia microcarpa Decne*	**4,406**
	Mahogany	*Swietenia macrophylla*	**3,537**

1 International Union for Conservation of Nature (IUCN)
2 DENR Administrative Order 2017-11 Updated National List of Threatened Philippine Plants and their Categories
3 Endangered Species - refers to species, subspecies, variety, or forma that is not critically endangered but whose survival in the wild is unlikely if the causal factors continue operating.
4 Vulnerable Species - refers to a species or subspecies, variety, forma or other infraspecific category of plant that is not critically endangered nor endangered but is under threat from adverse factors throughout its range and is likely to move to the endangered category in the future. This shall include variety, forma or other infraspecific category
5 Vulnerable (VU) species – refers to species categorized by the IUCN as likely to become endangered unless the circumstances threatening its survival and reproduction improve. It is therefore considered to be facing a high risk of extinction in the wild.

IUCN Red List	Common Name	Scientific Name
Least Concern	Agoho	*Casuarina equisetifolia*
	Molave	*Vitex parviflora*
	Kalingag	*Cinnamomum mercadoi*

Featured Story

Adopt-a-Forest Program

Our subsidiaries, SCPC and SLPGC were awarded recognition by the Department of Environment and Natural Resources-Community Environment and Natural Resources Office (DENR-CENRO) of Calaca, Batangas for its active participation in the agency's Enhanced National Greening Program (E-NGP).

Since November 2019, our "Adopt-a-Forest" program has protected and reforested approximately 5,100 species of narra, mahogany, and molave trees along the 50-hectare portion of the E-NGP site in Barangay Patugo, Balayan.

Building Resilient Communities: Mangrove Planting with Brgy. Semirara and Alegria

True to its commitment to environmental stewardship, SMPC, in partnership with the local government units of Barangay Alegria and Semirara, organized mangrove tree planting on August 22 and October 10, 2020, respectively.

A total of 900 seedlings provided by SMPC were planted along the coast of the two barangays by over 100 SMPC volunteer employees and barangay residents.

The Barangay Alegria coastline covered with mangroves were significantly destroyed by Typhoon "Ursula", considered to be the strongest to ever hit Semirara Island on December 25, 2019. Half of the mangrove population was washed out.

Volunteers also planted *api-api* plants to serve as barriers preventing waves from washing out the mangrove propagules while they are still maturing.

"I am very grateful because the needed propagules and seedlings were supplied by SMPC. The damage made to the mangroves by Typhoon Ursula was rehabilitated thanks to SMPC," said Barangay Alegria Chair Modesta Pionelo.

"Mangrove planting taught us, especially our youth, to be responsible in our environment and be aware of our climate change adaptation. We do this not only for today's generation but also for our future generations here in Semirara Island," said Barangay Semirara Chair Catherine Lim.

900

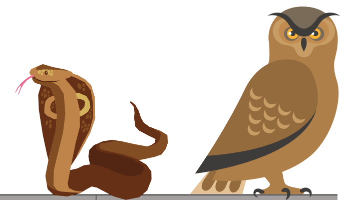
mangroves planted along Alegria and Semirara coastlines

Social distancing strictly observed during the activity

SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS 304-4

Conservation Status of Important Animal Species in Semirara Island

IUCN Red List	Common Name	Scientific Name
Vulnerable	Philippine duck	*Anas luzonica*
Least Concern	Philippine hanging parrot	*Loriculus philippensis*
Near Threatened	Long-tailed macaque	*Macaca fascicularis ssp. philippensis*



Conservation Status of Species in the Biodiversity Conservation Center

National Conservation List*	Common Name	Scientific Name	Current Count
Critically Endangered (CR)	Blue-naped Parrot	*Tanygnathus lucionensis*	**2**
Endangered (EN)	Philippine Eagle-owl	*Bubo philippensis*	**6**
	Nicobar Pigeon	*Caloenas nicobarica*	**2**
	Giant Flying Fox	*Pteropus vampyrus*	**1**
Vulnerable (VU)	Mantanani Scops-owl	*Otus mantananensis*	**5**
	Philippine Duck	*Anas luzonica*	**6**
Other Threatened Species (OTS)	Mindoro Monitor Lizard	*Varanus (marmoratus) bangonorum*	**5**
	Malayan box turtle / Southeast Asian box turtle	*Cuora amboinensis*	**11**
	King Cobra	*Ophiophagus hannah*	**1**

**DENR Administrative Order No. 2019-09 Updated National List of Threatened Philippine Fauna and their Categories*

IUCN Red List	Common Name	Scientific Name	Current Count
Endangered (EN)	Southeast Asian Box Turtle	*Cuora amboinensis*	**11**
Vulnerable (VU)	Philippine Eagle-owl	*Bubo philippensis*	**6**
	Philippine Duck	*Anas luzonica*	**6**
	King Cobra	*Ophiophagus hannah*	**1**
Near Threatened (NT)	Mantanani Scops-owl	*Otus mantananensis*	**5**
	Blue-naped Parrot	*Tanygnathus lucionensis*	**2**
	Nicobar Pigeon	*Caloenas nicobarica*	**2**
	Island Flying Fox	*Pteropus hypomelanus*	**1**
	Large Flying Fox	*Pteropus vampyrus*	**1**

Featured Story

Animal Biodiversity Conservation 304-1

Following through our successful marine biodiversity initiatives, SMPC established the Semirara Biodiversity Conservation Center (SBCC) in 2018.

The SBCC is a joint project between the Company and the DOE, with a conservation program mainly focused on the avian species due to their dominance among other fauna on the island.

To integrate with our habitat restoration initiative through reforestation, SBCC ensures mindful consideration and study of a population's breeding habits, diet, and ethological needs for a holistic biodiversity approach.

SBCC serves as a wildlife rescue center by taking in eggs, juvenile birds, and adults that are found after natural disasters or prior to the clearing of vegetation for mine sites. We will then nurse the animals until they become candidates for species recovery or deemed ready for reintroduction to suitable natural habitat. Mammals, reptiles, and amphibians are occasionally cared for as well.

SBCC also promotes and engages the local community through conservation, awareness and education. This is to enhance local knowledge so as to avoid further negative human impacts from activities such as *kaingin* (slash-and-burn) and poaching. This complements our efforts of reintroducing the animals to a suitable environment. Prior to the pandemic, SBCC conducted a walk-through aviary exhibit, educational tours and lectures for the students, locals and visitors of Semirara Island.

Photo taken before pandemic lockdown

Greening Our Supply Chain

SUPPLIER ENVIRONMENTAL ASSESSMENT AND SUPPLY CHAIN MANAGEMENT
103-1, 103-2, 103-3

To promote sustainability practices are being upheld throughout our supply chain, we integrated a supplier environmental assessment within our supplier accreditation process. By screening suppliers using environmental criteria, we gain further insight on the potential risks that may come from their processes and practices.

We consider waste reduction and management practices, procurement procedures, energy efficiency technologies, and other efforts towards mitigation of their environmental footprint along the supply chain as part of our supplier environmental assessment.

Supply Chain 102-9, 102-48

Category	2020	2019
Types of suppliers engaged		
Materials	• Original Equipment Manufacturer (OEM) • Brand • Components	
Services	• Technology Certified Personnel	
Total number of suppliers engaged throughout the supply chain		
Coal	**661**	477
Power	**368**	654
TOTAL	**1,029**	1,131
Geographic location of suppliers		
Local	**76%**	52%
Foreign	**24%**	48%
Estimated monetary value of payments made to the supplier (In PhP billion)		
Coal	**8.5**	13.0*
Power	**4.2**	6.5*
TOTAL	**12.7**	19.5*

Restated due to inputting error, previously reported as PhP 16.8 billion in 2019.

166

New suppliers assessed with green criteria 308-1

Supporting Our Workforce for Success 103-1, 103-2

At SMPC, we value both the people we work with and the people we work for. In our value chain, we ensure that our employees and workers contribute within an environment that promotes their growth and development without compromising their safety and dignity. Our human resource strategy focuses on retaining a quality, skills-progressive workforce that extends the longevity of our operations.

Our People

Our people are protected by non-discrimination policies across all positions.

SMPC has been distinguished as among the three Filipino companies cited in the 2021 Bloomberg Gender Equality Index which includes 380 companies across 50 industries headquartered in 44 countries and regions. We uphold the fair treatment of employees regardless of gender or orientation.

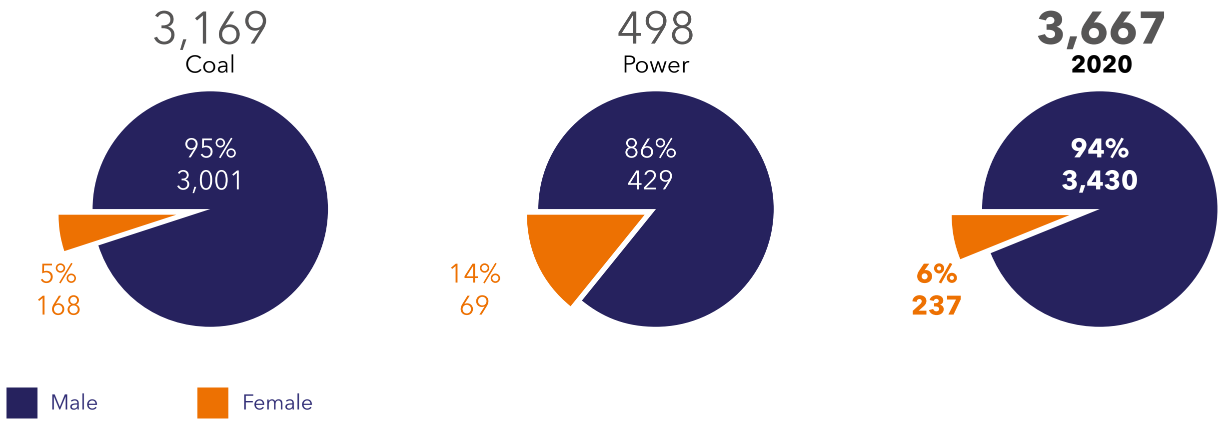
The gender imbalance in our workforce is attributed to the nature of our operations and overall industry demographic. Currently, skilled personnel make up 83% of the workforce, with the remaining 15% being composed of professional-technical personnel.

Total Employees

3,667
2020

3,684
2019

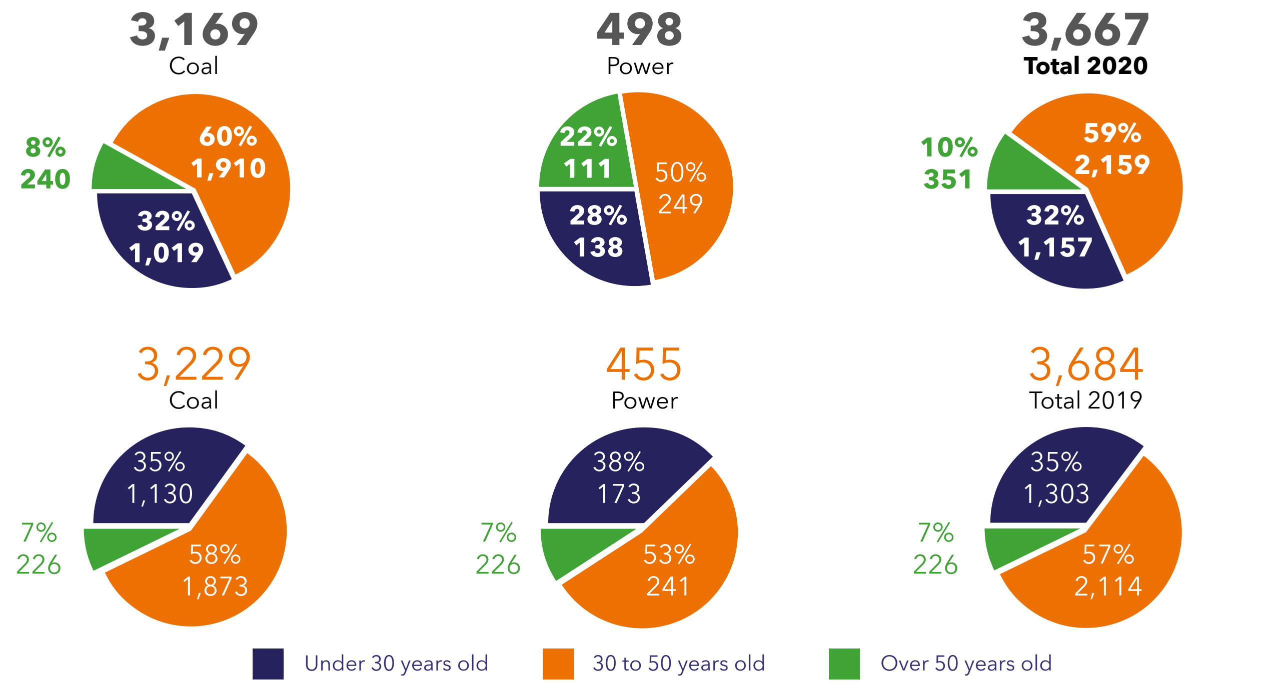
By Segment, Gender, and Employment Type 102-8



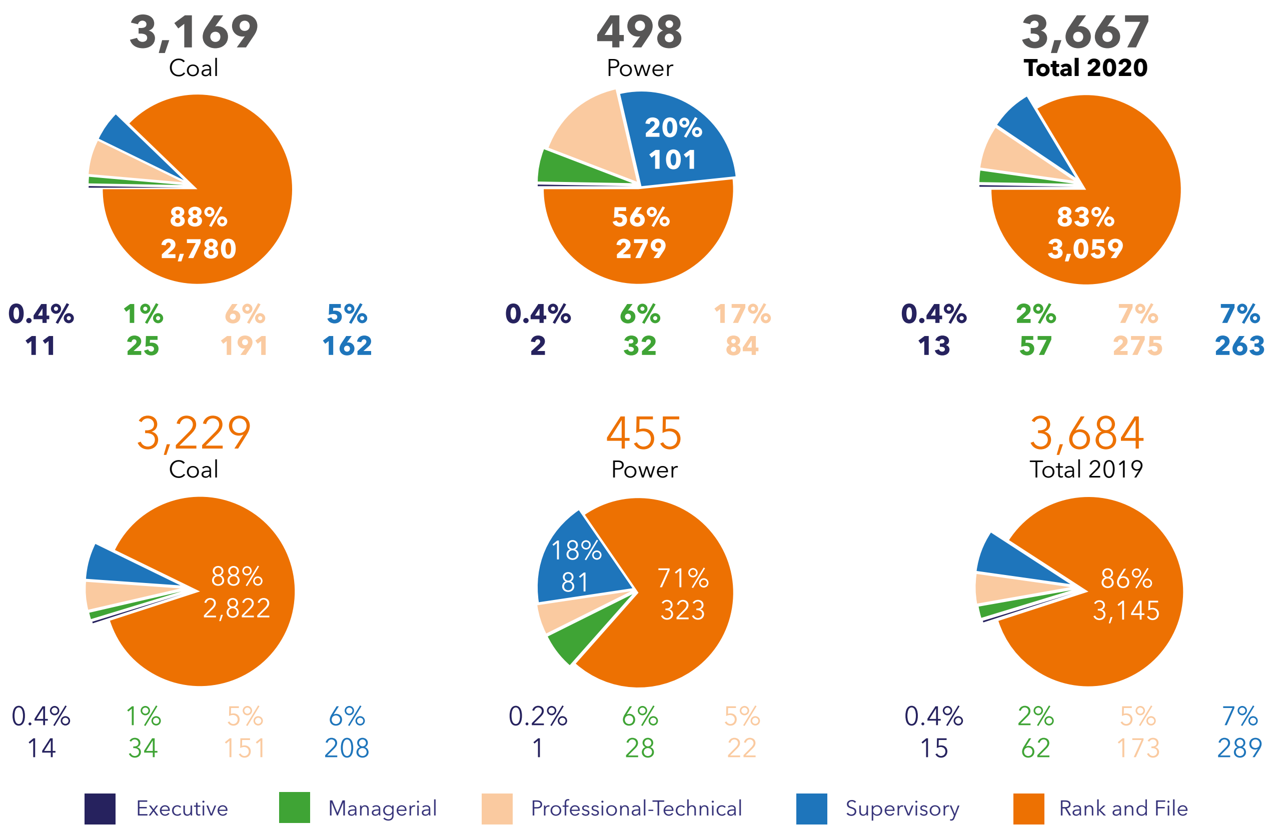
By Gender and Location 405-1

	Coal		Power		Total	
	Male	Female	Male	Female	Male	Female
Luzon	469	67	412	69	**881**	**136**
Visayas	1,328	75	10	-	**1,338**	**75**
Mindanao	1,204	26	7	-	**1,211**	**26**
TOTAL	**3,001**	**168**	**429**	**69**	**3,430**	**237**

By Age Group 405-1



By Level



TALENT ATTRACTION

103-2, 401-1

This year, we bolstered our efforts to integrate talent trends into the overall strategy of our company.

The company focuses on bridging job competency, work attitude, and the individual's overall fit within the organization as major components of the hiring process. By utilizing a holistic approach to talent attraction, the overall function and efficiency of the company increases.

Hiring

	Coal	Power	Total
2020			
New Hires	**430**	**142**	**572**
Employee Turnover	**389**	**29**	**418**
New Hires	**3%**	**2%**	**2%**
Employee Turnover	**2%**	**2%**	**2%**
2019			
New Hires	518	77	595
Employee Turnover	309	28	337
Over 50 years old	16%	17%	17%
Turnover Rate	1%	1%	1%

New Hires 401-1

	Coal	Power	Total
By Age Group			
Under 30 years old	282	45	**327**
30-50 years old	144	87	**231**
Over 50 years old	4	10	**14**
TOTAL	**430**	**142**	**572**
By Gender			
Male	404	137	**541**
Female	26	5	**31**
TOTAL	**430**	**142**	**572**
By Region			
Luzon	52	138	**190**
Visayas	201	1	**202**
Mindanao	177	3	**180**
TOTAL	**430**	**142**	**572**

Retention Rate

97%
2020

90%
2019

TALENT RETENTION 103-3

Reduced turnover rate is an indicator of a motivated workforce that can contribute to the company for the long term. Therefore, our retention strategy starts upon the onboarding of new hires and throughout the course of their employment up to their eventual retirement or departure from the company.

Our improvements on the 2019 "Build from Within" retention strategy that focused on strengthened communication, offerings, and reviews has yielded a 7% increase in employee retention rate for 2020. The satisfaction and commitment of our employees to the company is of utmost importance in carrying out sustainable growth.

Employee Turnover 401-1

	Coal	Power	Total
By Age Group			
Under 30 years old	188	5	**193**
30-50 years old	165	9	**174**
Over 50 years old	36	15	**51**
TOTAL	**389**	**29**	**418**
By Gender			
Male	369	21	**390**
Female	20	8	**28**
TOTAL	**389**	**29**	**418**
By Region			
Luzon	85	29	**114**
Visayas	147	0	**147**
Mindanao	157	0	**157**
TOTAL	**389**	**29**	**418**

BENEFITS
405-2

Our compensation and benefits are compliant with the guidelines of the Department of Labor and Employment (DOLE). We stay up-to-date with industry standards and labor market rates to provide our employees with fair compensation and quality of life. We believe that by providing our people with the right salary and benefits, we uphold their person's and family's right to financial security and livelihood.

SMPC's salary structure is regularly reviewed and adjusted according to current standards in the market. Employees receive fair and equal pay according to their job description and regardless of gender. Our average annual salary increase range of 2% to 39% is higher than the country's across-the-industry range of 5.5% to 6% in 2019.

List of Benefits 401-2

- **Government Mandated Leaves** (Magna Carta for Women, VAWC)
- **SSS**
- **PhilHealth**
- **Pag-Ibig**
- **Paternity Leave**
- **Maternity Leave**
- **Vacation Leave**
- **Sick Leave**
- **Bereavement Leave and Assistance**
- **Service Award**
- **Retirement Plan**
- **Family Relocation**
- **Rice Allowance,** Mine Site employees
- **Electricity and Water Allowance,** Mine Site employees
- **Medicine Allowance/ Reimbursement**
- **On-Site Housing/ Housing Assistance and Accommodation**
- **Free Mine Site Infirmary services, Mine Site employees**
- **Life and Accident Insurance**
- **Medical Care - Insurance (HMO)**
- **Free Education,** Mine Site employees' dependents
- **Emergency Leave**

Empowering Our People for Excellence 103-1

Once an SMPC employee, an individual is entitled to opportunities to enhance their skills and achieve their highest potential within their career path. The Company provides its people with programs and resources that align with their position and potential for greater responsibility. By building up the competencies of our people, we increase the output quality of our human capital and their potential to make greater impacts in their spheres of influence. 103-1

TALENT DEVELOPMENT, MANAGEMENT, AND SUCCESSION
103-2, 103-3, 404-2

To reach our company goal of employee growth, we anchor our talent management program on human resources techniques and a "Build from Within" strategy. The program, launched in 2019, utilizes a comprehensive and continuous process of talent attraction, development, optimization, and retention.

We apply a competency-based framework to our talent development and succession strategy across all our work sites, starting with talent profiling. We build the talent profiles of our people using standardized measurement tools. Our methods help us identify key talents, candidates for succession, and individuals with great potential for development.

These profiles are then used for tailoring individual development plans for our employees. The company offers external and internal talent development interventions covering behavioral management, health and safety, technical-functional and leadership development across all levels.

While we usually enact these interventions through shadowing, coaching and mentoring, on-the-job practice, and stretched assignments; online training has become an essential component of talent development this year.

The fulfillment of these interventions and subsequent assessment and feedback through our performance management system are necessary steps towards robust talent development. At SMPC, we continue to aim for a competent and engaged workforce that fits our company culture in the long run.

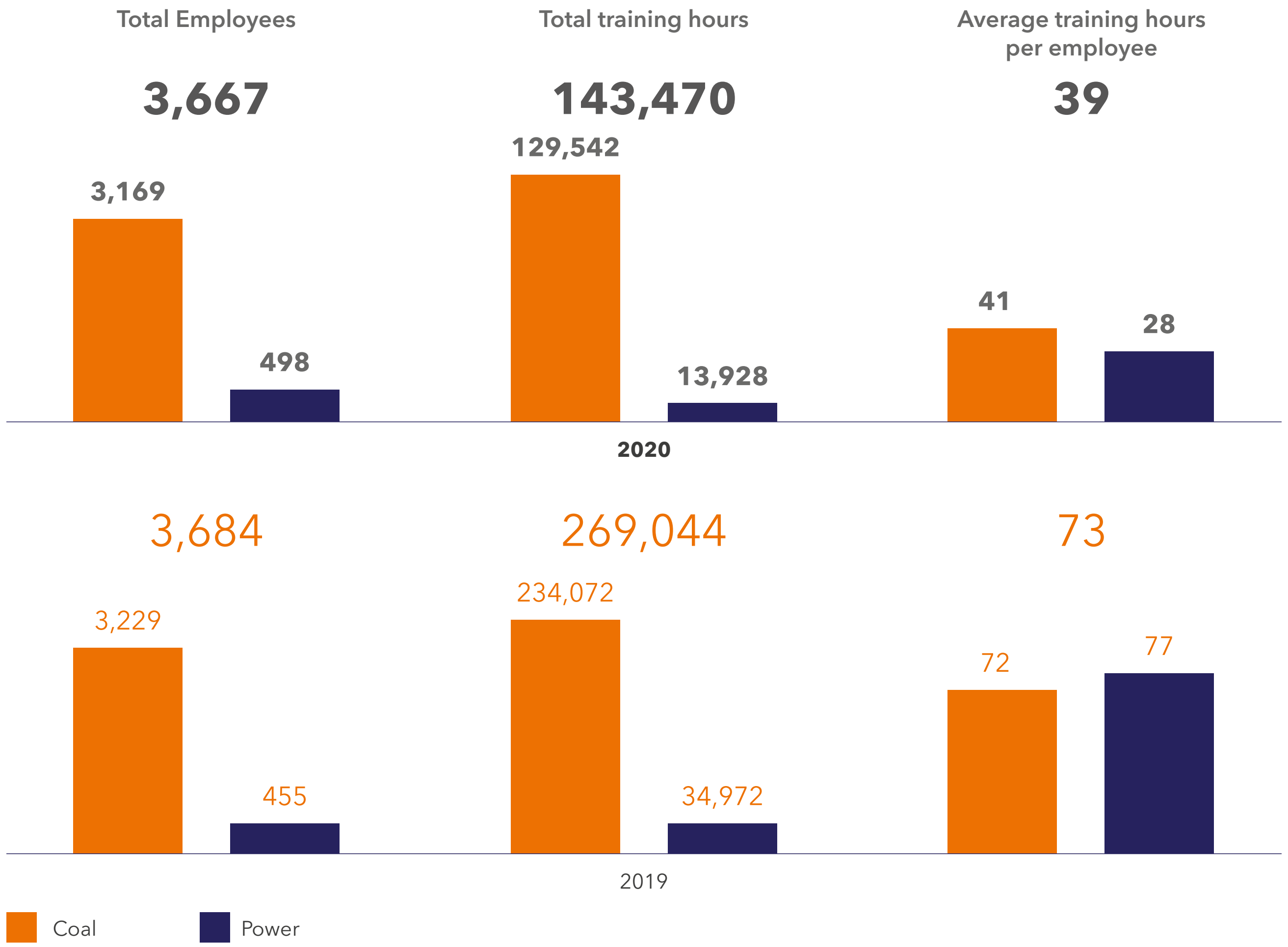
Employees Receiving Performance Reviews 404-3 By All Levels

100%

Employees Receiving Performance Reviews 404-3 By Gender

	Coal	Power	Total
Male	95%	86%	96%
Female	5%	14%	4%

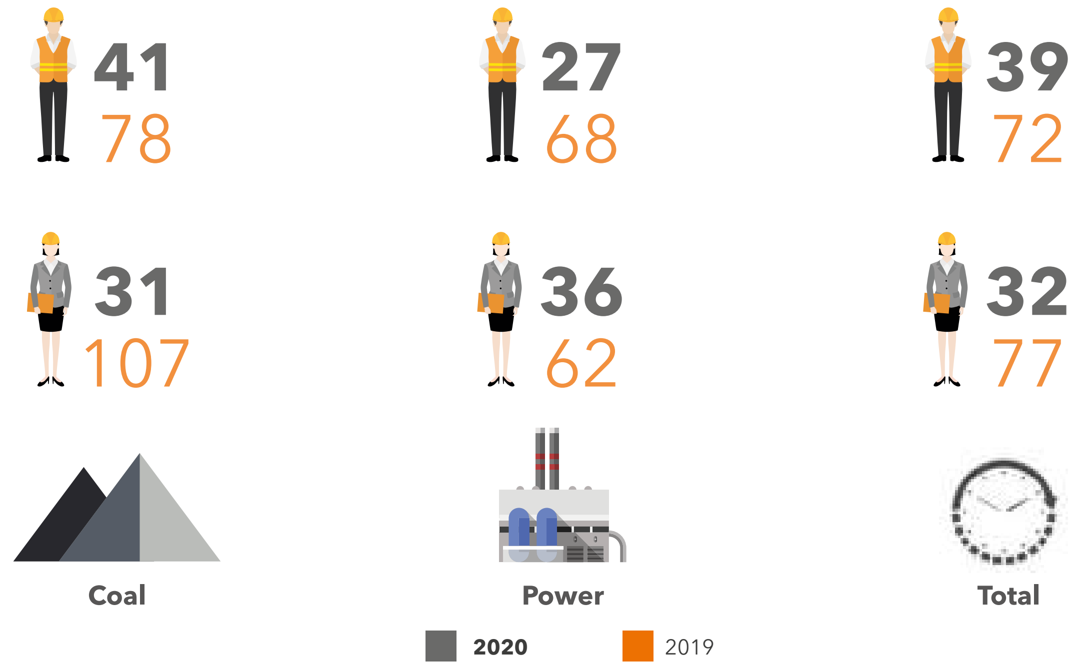
Average Training Hours Per Employee 404-1



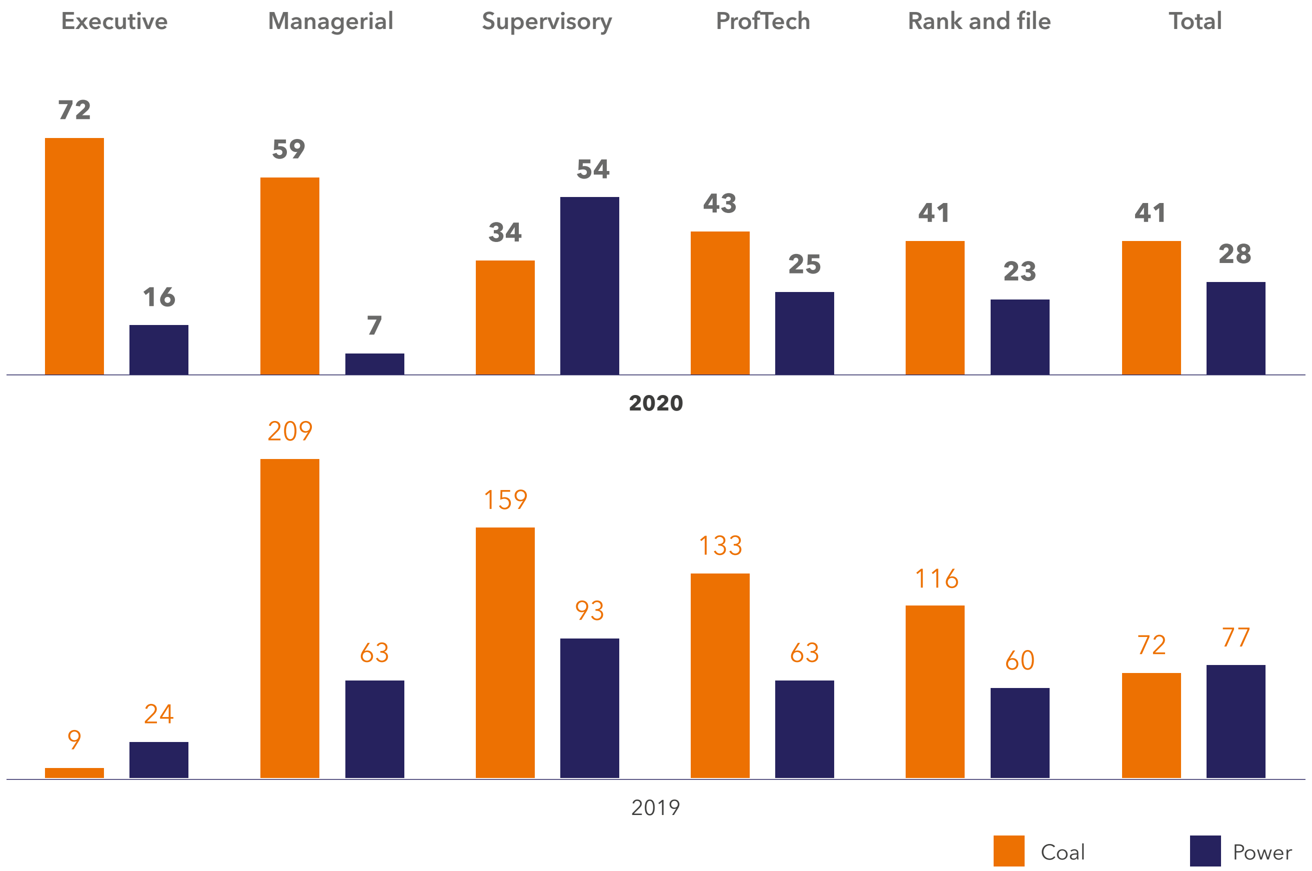
Total Training Hours By Training Category 404-2

Training category	Coal	Power	Total
2020			
Behavioral	**7,338**	**3,340**	**10,678**
EHS	**28,356**	**3,542**	**31,898**
Leadership	**1,127**	**446**	**1,573**
Professional and technical development	**89,343**	**5,525**	**94,868**
Quality management	**3,379**	**1,075**	**4,454**
TOTAL	**129,543**	**13,928**	**143,471**
2019			
Behavioral	30,906	10,768	41,674
EHS	72,787	12,041	84,828
Leadership	4,478	1,104	5,582
Professional and technical development	113,222	10,215	123,437
Quality management	12,679	844	13,523
TOTAL	**234,072**	**34,972**	**269,044**

Average Training Hours By Gender



Average Training Hours By Level



Training Spend

	Coal	Power	Total
2020			
No. of Employees	**3,169**	**498**	**3,667**
2020 Training Spend (In PhP capitalized and expensed)	**1,581,685**	**3,672,277**	**5,253,962**
Average Training Spend per Employee (In PhP)	**499**	**7,374**	**1,433**
2019			
No. of Employees	3,229	455	3,684
2020 Training Spend (In PhP capitalized and expensed)	6,705,832	5,609,981	12,315,814
Average Training Spend per Employee (In PhP)	2,077	12,330	3,343

While the ongoing pandemic accelerated the trend toward working remotely/telecommuting/implementing flexible work arrangements, our company faced the setback of reduced face-to-face learning time. Our 53% achievement of the 2020 training plan resulted to a 47% decrease in training hours during the year as compared to 2019.

ONLINE TRAINING AND LEARNING PROGRAMS

404-2

Training has long been recognized as a critical element of an effective people development program. Thus, training our people, measuring results, and driving growth are part and parcel of our talent development approach.

Amid the pandemic, we have introduced a remote workforce training strategy to continue cultivating our employees towards professional and personal development. This supercharged every step of our training modality; it also allowed us to embrace gamification, interactivity, and other online collaborative tools.

We converted our training courses to online programs. We started with our annual refresher on the Code of Discipline to ensure that our employees comply with our set of guidelines, systems, and principles that underpin all of our work. We pursued our mental health awareness campaign and provided mental health support for our employees.

We continued with our Safety Program and also have converted our mining and power plant orientation to webinars. Our company also offered free online webinars to further help our employees achieve the needed competencies for their jobs at no cost.

The pandemic also sharpened our need for a well-defined, strategic employee training plan that includes topics ranging from occupational health to techniques that help employees maintain good health and avoid the spread of disease.

Engagement Programs

In promoting transparency in our policies and providing ample time for employees to update themselves with company matters, SMPC integrated several employee engagement platforms that were continuously carried out during the year.

Avenues for engagement with our employees include town hall meetings; operations, management, and IMS meetings; environmental and occupational health and safety topic discussions; and focus group discussions on employee welfare.

The lack of in-person communication became a major challenge for our avenues of engagement. Our team adjusted by making virtual meetings work and testing technology ahead of time for clear audio and visual streaming alongside general meeting best practices. We also captured real-time feedback to make sure all voices are heard.

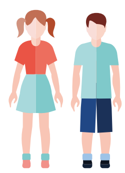
We facilitated general assemblies led by our leaders wherein the importance of integrating the company's core values to one's duties and responsibilities, performance review, and future prospects in mining operations were discussed.

It was during the virtual town hall that our management assured employees' safety and well-being amid the COVID-19 pandemic. The job security of the employees within the context of its operations as well as their regular remunerations were also ascertained.

In instances that involve a reglementary period, we comply with the minimum notice period provided by the DOLE to give our people ample time for adjustment. Significant organizational changes due to exigency are given at least a one-week notice period after consultation before implementation of the aforementioned changes. **402-1**

Currently, thirty (30) union members, or 1% of our Coal segment workforce, are covered by the Collective Bargaining Agreement (CBA). Our negotiation process with company union members resulted in an agreement on the wages, working hours, and terms of employment, among others. **102-41**

Photo taken before pandemic lockdown



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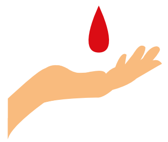
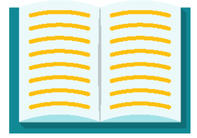
Child and forced labor violations

Engagement Programs and Health and Wellness Activities **403-6**



Blood Donation Drive



Community Newsletter Writing Contribution

COVID-19 Awareness and Prevention Campaign

Employees Concern Program

General Assembly

Government Benefits Awareness

HR Huddle

Mental Health Program

Nutrition Caravan

Online Learning and Webinars

River & Coastal Clean up

Taal Relief Operations

Featured Story

Providing Protection for Caluya Frontliners

In the spirit of bayanihan, SMPC employees and management pooled their resources to provide PPEs and medical supplies for the frontliners at the municipality of Caluya to help safeguard them from the virus during their highly demanding shifts.

Over PhP100,000 worth of PPE and supplies such as surgical masks, face shields, surgical gloves, hazmat suits, and non-contact thermal scanners were turned over to LGU officials led by Mayor Rigil Kent Lim.

"Maganda at nagtutulungan ang LGU at ang SMPC para sa ikabubuti ng ating mga mamamayan lalo laban sa pandemya na ito,"
-Lim said.

"We are thankful to receive these contributions from the strong 'malasakit' of SMPC employees. We are beyond grateful that SMPC is always there to be one with us in these trying times,"
-said Barangay Alegria Chairman Modesta Pionelo.

Featured Story

E-Kumustahan for Leaders

Part of a holistic talent management process is to continuously monitor progress and ensure the motivation of the company's people. In 2020, e-Kumustahan was launched as an engagement program for leaders across our business segments.

Regularly attended by our President and COO, and conducted through a virtual platform, the program is designed to create more conversations aimed at enhancing people management culture at SMPC in support of business growth through talent optimization. Each session highlights individual performance, competency proficiency strengths and gaps, and career progress.

The program served as our way of embracing a comprehensive approach to engaging our people. It became an avenue for open conversation where leaders communicate and recommend individual development plans for the growth and well-being of their team members, impacting both personal and professional advancement.

Developing a Culture of Safety 103-1, 103-2, 103-3, 403-1

Workplace safety is a non-negotiable for business operations. A safe and healthy workplace pertains to the environment in which our employees, workers, and contractors can freely perform their duties with minimal risk to their well-being. We value our people and develop a workplace culture with this goal in mind.

By creating and implementing mechanisms for employee protection, SMPC mitigates potential risks such as manpower loss and regulatory sanctions that ultimately hinder the progression of our business endeavors. We continuously allocate resources for improving working conditions through careful assessment and monitoring of risks.

While our Power segment remains in conformance with the OHSAS 18001:2007, our Coal segment's occupational safety and health (OSH) management system successfully transitioned and is certified to ISO 45001:2018 in 2020. Through regular monitoring and external assurance, we aim to gain insight for the continual improvement and the effectiveness of our safety systems. This effectiveness, in return, is reflected in our decreasing number of workplace-related incidents over the years.

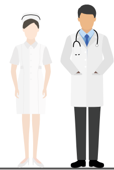
SAFETY AND OCCUPATIONAL HEALTH 403-2, 403-3

Operations at our mining and power plant sites carry their own risks even when full compliance with safety protocols are met, driving SMPC to enhance an integrated safety system and culture into place. Our Occupational Health (OH) Team regularly conducts risk assessments in relation to the Coal and Power segments' impact on stakeholder health.

Main risks and hazards related to our operations include the handling of chemicals, fumes, dust, and noise pollution. To mitigate these risks, our sites have installed dust suppression systems, fume hoods, work schedule adjustments, and personal protective equipment for site workers and employees.

Working groups are also oriented on safe working practices and are required to undergo sufficient training hours prior to their on-site responsibilities.

SMPC provides essential medical services through an on-site clinic and infirmary with a medical team of physicians, nurses, and other medical professionals, as well as normal check-ups for employees at risk of work-related impairments. Emergency transportation and health services are available at the sites 24/7.



Number of Medical Personnel

	Coal	Power
Physicians		
OH	2	1
Non OH	2	-
Nurses		
OH	3	4
Non OH	2	-
Dentist	1	1
Medical technologist	3	-
Radiologic technologist	1	-
X-ray Technologist Aide	1	-
Nursing Aids	2	-
TOTAL	**17**	**6**

Our Environmental, Health and Safety (EHS) Committees conduct monthly meetings to review, monitor, and report on the effectiveness of the company's health and safety programs. Such meetings consolidate experiential knowledge from health and safety-related incidents and provide feedback on training programs.

Despite the challenges of not being able to conduct face-to-face safety meetings due to the pandemic, our OSH, Mine Planning, Mine Truck and Shovel Operations (MTSO), and Geology operations teams were able to discuss OSH-related matters during coordination meetings. EHS Committees convened through virtual meetings and subject to the new normal working protocols during the year.

Vehicle Availability

Location	2020	2019
Coal Operations	**3***	3*
Power Operations	**2**	2
Corporate Office	**1****	1**

* *Emergency medical vehicle*
** *Shared with the affiliate*

Our Environmental, Health and Safety (EHS) Committees 403-4

	Mine Site	Power Plant Site	Corporate Office	Total
2020	**191**	**94**	**13**	**298**
2019	182	58	13	253

EMPLOYEE WELLNESS

Our people are provided with medical and health benefits coverage, free medical consultations, and annual physical examinations (APE) through Health Maintenance Organization (HMO) insurance and/or infirmary services for regular monitoring of employee health.

Work-related Ill Health in 2020 403-10

	Coal		Power	
	Employees	Contractors	Employees	Contractors
Recordable work-related ill health or fatality	-	-	-	-
Noise induced hearing loss	-	-	**14**	-
Musculoskeletal Diseases	**11**	-		-

In 2020, COVID-19 restrictions hindered the APEs for corporate office employees. Our Coal segment's APE reached 60% completion with delays mainly due to the breakdown of x-ray machines used and the exhaustion of reagents for blood chemistry. The Power segment's APE was likewise deferred to reduce potential COVID-19 risk exposure.

Noise is an inherent part of our operations. Both segments have sets of moving parts and machinery that produce excess sound, especially when operated in the same period. To minimize their impact, we implement a combination of controls such as shift modification to reduce the time of exposure and issuance of fit for purpose personal protective equipment such as earmuffs and earplugs. Monitoring of at-risk employees is regularly being conducted with further clinical intervention to those employees who are diagnosed.

Ergonomic hazards are assessed on a per activity basis. Training plays a major role in preventing musculoskeletal diseases. Proper posture while performing a common or repetitive task must be observed coupled with the right tools and equipment for the task at hand.

Immunization Program 403-6

To further protect at risk employees, SMPC partners with local health units and health service providers in implementing our vaccination program. Being an essential industry, the program allows us to reduce downtime from absences due to illnesses.

HEALTH TRAININGS

We provide our people with access to personal health resources and training relevant to their job responsibilities. By promoting health-centered education, SMPC builds a culture of health safety that starts with the knowledge of habits and practices that help our people conduct their work with minimized risk. This year, the company carried on with training programs and seminars both online and on-site subject to health safety protocols. Among the topics discussed through webinars were protecting mental health, managing stress, and handling depression during pandemic, and ensuring COVID-19 protocol in the workplace.

Vaccinations Provided 401-2, 403-6

	2020		2019	
	Coal	Power	Coal	Power
Flu	**611**	**354**	200	78
Pneumonia	**16**	**243**	10	319
Human papillomavirus (HPV)	**68**	**0**	100	0
Anti-tetanus	**0**	**208**	0	252
TOTAL	**695**	**805**	310	649

Note: HPV and Flu vaccines for the Coal segment are donated by the Provincial Health Office of Antique, while the Anti Tetanus vaccines came from the Rural Health Unit. Power segment's vaccinations are purchased by the company.

Safety Trainings 403-5

	Coal	Power	Total
2020	139	29	168
2019	20	23	43

Worker Training on Occupational Safety and Health 403-5

	2020			2019		
	Coal	Power	Total	Coal	Power	Total
Training Hours	**27,170**	**3,542**	**30,712**	72,787	12,041	84,828
Average ESH Training Hours Per Employee	**3.81**	**6.60**	**8.38**	23	26	23.03

DISASTER RESILIENCE 102-13

Safety and health at the workplace also involve the workforce's proper response to natural disasters. Our disaster resilience measures are part of our Emergency Preparedness and Response (EPR) plan and involve key stakeholders, regulators and first responders during our drills. They are then able to provide us with feedback for us to improve our systems.

The Emergency Response Team (ERT) is in charge of the assessment of community needs in relation to disaster resilience while leading emergency response alongside the local Barangay Disaster Operation Center (BDOC).

36

EPR Drills Conducted in 2020

Our Resilience Partners 102-13

Armed Forces of the Philippines

Municipal Disaster Risk Reduction and Management Office

Philippine Air Force 505th Search and Rescue Group

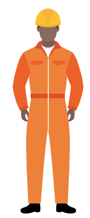
Philippine Coast Guard-Semirara

Philippine National Police-Semirara

Philippine Red Cross

Provincial Disaster Risk Reduction and Management Office

Community Police Assistance Center



Semirara Island Emergency Action Group

Pit Safety

Given the nature of our operations, geological hazards pose one of the greatest risks in our mine site. Therefore, SMPC integrates technological and behavioral measures to enhance pit safety and avoid loss of life.

Slope stability is a critical risk factor for our mining operations. To mitigate this risk, we employ several planning and assessment measures such as geohazard mapping, pre-start inspections, and toolbox meetings to assess our areas prior to work.

Our technological investments include our own weather station for monitoring of possible typhoons and rainfall, slope stability radars covering our Molave Pit, and a PR03-Advanced Equipment Simulator for use of our heavy equipment operators. We continued simulator training during the year, totaling 856 training hours for our 573 workers.

We secure an issuance of a working permit based on our established ground control plant from our MTSO, MPED, Geology, and OSH bodies. This is obtained prior to the execution of medium to high risk unloading, upon newly opening mine blocks, resumption of mining activities after a wall collapse, and quarrying activities.

Power Plant Safety

At our power plant site, equipment and plant-related risks are present and addressed by our Power segment's set of mitigation measures. Primary risks at the site are electrical shocks, burns, boiler fires, explosions, and contact with hazardous chemicals.

To address these, workers receive pre-job planning, EPR equipment, and training while the company oversees activities with its Risk and Safety Management Program. This program requires the monitoring and reporting of safety incidents, root cause analysis, and incident investigation management.

Due to the pandemic restrictions, incident reporting was conducted through an online platform during this year.

Contractor Safety

At SMPC, we recognize our responsibility in creating safe working conditions for our contractors to operate in.

During the year, our Power segment contractors managed to complete 3.1 million man-hours, a 43% decrease from 2019 due to COVID-19 restrictions and the completion of LEPs. Employee injuries increased by 21% this year due to a growing number of employees requiring medical services from the inhouse health facility. However, contractor injuries fell by approximately 19%.

Regrettably, an incident occurred at the limestone quarry in the area of Payong-Payong Wall of the West Narra Quarry in Semirara Island on July 20, 2020. A heavy equipment operator was fatally injured after being hit by a limestone overhang while doing a quarrying activity. Corrective action and remediation measures were immediately implemented.

Number of Hours Worked 403-9

	2020		2019	
	Employees	Contractors	Employees	Contractors
Coal	**9,406,397**	**2,290,057**	8,980,341	2,336,003
Power	**869,081**	**3,127,582**	700,598	5,512,769
TOTAL	**10,275,478**	**5,417,639**	9,680,939	7,848,772

15,693,117

17,529,711

2020 2019

Our Safety Performance 403-7

	Coal				Power			
	Employees		Contractors		Employees		Contractors	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
2020								
Fatalities	**1**	**0.11**	-	-	-	-	-	-
High consequence work-related injury*	-	-	-	-	-	-	-	-
Recordable work-related injuries**	**38**	**4.04**	**6**	**2.62**	**3**	**3.45**	**19**	**6.07**
2019								
Fatalities	1	0.11	-	-	-	-	-	-
High consequence work-related injury*	-	-	-	-	-	-	-	-
Recordable work-related injuries**	33	3.67	5	2.14	2	2.85	26	4.72

* *Refers to an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.*

** *Refers to work-related injury or ill health, such as days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness, or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.*

Types of Injury

	2020		2019	
	Employees	Contractors	Employees	Contractors
Coal				
First aid case	**10**	**-**	-	-
Medical treatment case	**14**	**1**	28	5
Lost time accident	**14**	**5**	4	0
Power				
First aid case	**2**	**13**	1	14
Medical treatment case	**-**	**3**	-	7
Lost time accident	**1**	**3**	1	5

Customer Health and Safety 403-9

To uphold transparency and improve relations with our customers, we allow customers to inspect our facilities, coal production, and loading procedures. Visits during the year were conducted while our visiting customers were properly equipped and compliant with site safety regulations.

The potential risk of the spontaneous combustion of coal is a major concern of our customers due to its effects on economic, environmental, and safety aspects. SMPC provides a coal stockyard management orientation to inform customers of how we manage and design our coal stockpiles, along with preventative measures taken.

100%

Products Assessed for Improvement 416-1

0

Customer Complaint

Caring for Our People During COVID-19

The COVID-19 pandemic challenged businesses to continue providing services, but at the same time, prioritize the health of their people.

With a solid advocacy to uphold its workers' rights to safety and livelihood, SMPC took on a dynamic approach to support its people during the health crisis. In implementing company regulations and health protocol, SMPC adopted workplace guidelines set by regulatory agencies and coordinated with host local government units to better manage traffic flow and monitoring to and from our sites.

SMPC, as an essential industry, also prepared its workplaces to safely accommodate on-site workers and employees. Engineering and administrative controls such as barriers, floor signs and Fresh Air Intake system were administered to the corporate office, while basic procedures such as the addition of thermal scanners, daily health monitoring and frequent disinfection were implemented across all sites.

We believe that our responsibility goes beyond securing a safe workplace for our people. With the pandemic disrupting the economy and the once-normal way of doing things, it has become all the more important to ease financial and resource insecurity for our employees. SMPC was able to release 13th month pay for its people by the mid-year and carry on with a year-end bonus for qualified employees. Suspected-case individuals were covered by a paid quarantine period.

PhP 9.2 million
COVID-19 prevention and control spend

17
Bike loan beneficiaries

572
Workers hired in 2020

8
Deployed buses for shuttle services

2,301
Employee-dormers

1,973
Workers barracks capacity

Promoting Community Development 103-1, 103-2, 413-1

SMPC's development programs are geared towards the self-sufficiency of our local communities. We believe that, at the end of the mine life, the people of Semirara Island should continue to have a stable source of income and livelihood. To see this goal through, the Company has enacted various forms of community engagement, social impact assessments, and inclusive social development programs across Semirara Island and Calaca, Batangas.

With the understanding that sustainable livelihood requires tailor-fit interventions, our Social Development Program (SDP) takes into consideration the specific needs of our communities. The program undergoes a planning process that relies on consultation and partnership with our stakeholders.

Currently, our stakeholder engagement results show communities' priority for access to education, health and safety, and livelihood development.

EDUCATION
203-2

For over a decade, SMPC has been a primary partner of the Divine Word School of Semirara Island, Inc. (DWSSII) and the Semirara Training Center, Inc. (STCI) in providing learning opportunities for locals. Among the scholarships we grant are those for our employees' children enrolling at DWSSII.

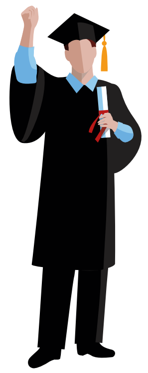
To date, DWSSII has produced 2,839 graduates, 245 of which graduated during school year 2019-2020. The school teachers and personnel receive further professional training assistance from SMPC.

In previous years, SMPC's Balik-Eskwela Program provided continued education for both employees and out-of-school youth. This reopened the door to what may have been considered a missed opportunity for education and gave individuals the opportunity to obtain their high school diploma.

With 18 students granted scholarships to a university of their choice in SY 2019-2020, our organization was awarded Top Scholarship Grantor anew by the University of Batangas. Total spend for the scholarships amounted to PhP619,038 for enrollment to universities in Luzon.

These programs ultimately prepare the youth for greater achievements in their future career paths.

Scholarships, School Year 2019-2020



Coal	Power	Total Grants
43 scholars	**18** scholars	**PhP2.8** million

SKILLS TRAINING 203-2

Our educational programs go beyond traditional schooling and also involve technical training to directly augment the skills portfolio of our people and local residents.

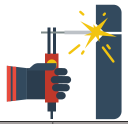
SMPC, in partnership with DOE, provides full support to STCI, a non-stock, nonprofit technical-vocational center that is accredited with the Technical Education and Skills Development Authority (TESDA). A majority of its enrollees specialize in welding, automotive servicing, industrial electricity, and machining. These enrollees include our local community at Semirara Island, graduates of DWSSII's Senior High School Technical Vocational Livelihood Track, and students from Mindanao.

Since 2007, STCI has produced a total of 1,178 graduates, which included eight graduates in 2020. 44% of these graduates are employed by the Company and its contractors or have found gainful employment abroad.

1,178

STCI graduates since 2007

Community Skills Trainings in 2020



Training	Partners	No. of Trainees
Automotive Servicing	STCI, Semirara Island	**24**
Machine Shop Practice	STCI, Semirara Island	**7**
Shielded Metal Arc Welding	STCI, Semirara Island	**6**
Electrical Installation and Maintenance	STCI, Semirara Island	**5**
Automotive (NC II)	Western Batangas Training and Assessment Center	**16**
Scaffolding Erection Training (NC II)	DMC Technical Training Center	**28**
TOTAL		**86**

Featured Story

Continuing Education in the "New Normal" 203-2

SMPC has provided its support for the safe opening of classes in some schools in our host communities.

In Semirara Island, we installed 16 handwashing facilities in schools to uphold the hygiene standards laid out by the Interagency Task Force against COVID-19. Campaign posters were put up in the vicinity of the stations for information and education health campaign.

We donated over 200 reams of A4 bond paper to public schools in Semirara Island and Calaca and Balayan, Batangas to support the printed school materials needed for the modular distance learning.

The synergy with our stakeholders allowed for adequate preparation to take place as the communities look forward to a smooth transition to education in the "new normal" setting of the school year.

COVID-19 Response for Communities 203-1, 203-2

Amid the threat of COVID-19 and natural calamities, the need for health and wellness support within our communities in Semirara Island and Batangas has grown. SMPC looked beyond securing safety in its workplace and extended aid for its communities and frontline workers.

COMMUNITY SAFETY AND WELLNESS

SMPC has continuously invested in healthcare programs through the Semirara Infirmary. The infirmary is a facility that offers primary healthcare to both SMPC employees as well as residents of the island. Apart from providing medical services, the infirmary leads education on wellness for the community, covering topics such as infant care, infection prevention, and nutrition.

Our funded medical missions and blood drives were momentarily discontinued this year due to COVID-19 restrictions. Addressing the urgent needs of the pandemic while ensuring COVID-19 safety became the primary focus of our health programs in 2020.

PhP 9 million

Quarantine facility with 217-bed capacity in Semirara Island

PhP 7 million

PPE and rapid test kits donated to Antique hospitals

PhP 123,450

"Share-a-Love" outreach project for jeepney and tricycle drivers in Makati

203-1, 203-2

PhP 120,000

Prescription medicines for children donated to RHU-Calaca and Balayan

PhP 111,540

PPE and medical supplies donated by employees to Semirara Island and Caluya frontliners

PhP 178,000

COVID-19 kits and basic supplies distributed to Power segment's host and impact communities

PhP 74,635

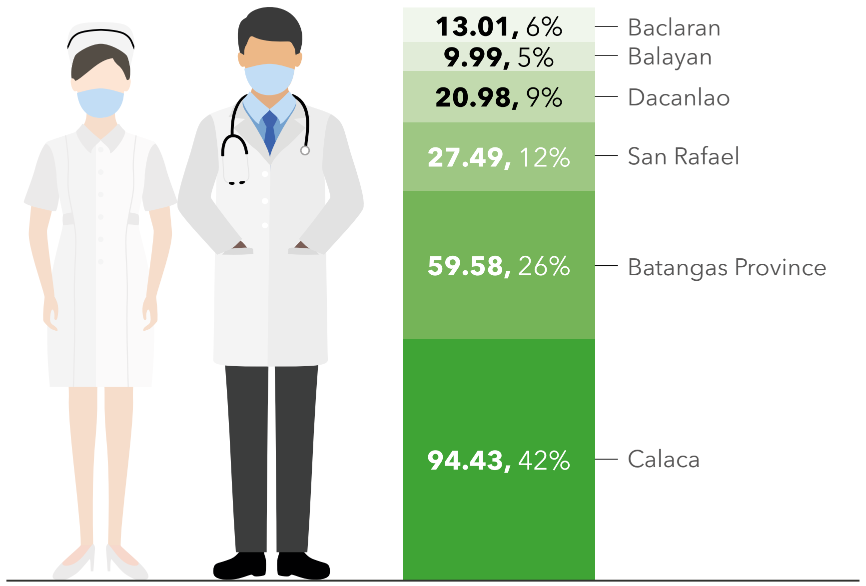
Handwashing facilities installed at Semirara Island schools

GREATER CAPACITY FOR HELPING COMMUNITIES

On April 6, 2020, the DOE issued Department Circular No. 2020-04-00080, which laid down rules on the targeted use of the local communities' share in electricity sales for hosting power projects or Energy Regulations 1-94 (ER 1-94) program funds.

With this circular, our communities gain greater capacity in managing the effects of COVID-19 using funding from the indicated shares. Part of this aid is the construction of mass testing facilities and the procurement of proper medical testing kits. By the 4th quarter of 2020, our Power segment issued PhP 225.5 million to host communities in Batangas in the pursuit of COVID-19 response measures.

DOE ER 1-94 Funds for COVID-19 Response
(In PhP million)



PhP 225.5 million
DOE ER 1-94 funds remitted
to Batangas host communities

Featured Story

SMPC aids Taal evacuees

SMPC distributed relief packs to some 5,000 evacuees in 19 evacuation sites in Calaca, Batangas. The relief packs included N95 face masks, ready-to-eat food and hygiene products. Sleeping mats and blankets were also turned over to some of the evacuation sites.

In partnership with its affiliate Maynilad Water Services Inc., SMPC transported over 4,000 liters of drinking water to the evacuation sites.

SMPC President and COO Maria Cristina C. Gotianun also met with Calaca Mayor Sofronio "Nas" Ona, Jr. to determine the urgent requirements of the local government unit and the Taal evacuees.

Livelihood Enhancement 413-1

To stimulate local economic growth and social inclusion, we address the need for livelihood development among our host communities by providing them with the knowledge and resources for paving their own business success.

Proactive engagements have informed us of our communities' need for seed capital, training, and infrastructure support in order to secure new sources of livelihood. In providing these needs, SMPC partners with line agencies such as DOST-Batangas, and the DOST Food and Nutrition Research Institute to enhance the technology and systems used by residents in their local businesses.

SMPC provided entrepreneurial training through webinars to help alleviate the pandemic-wrought impacts on the financial situation of Filipinos. Among the webinars held were small business management, food preservation, and sales and marketing awareness.

The Company also continued to act as a customer for various local businesses. The dressmaking and tailor-making communities, in particular, provide our COVID-19 PPE supplies.

Our Community Partner Organizations 102-13

- **Alegria Seaweeds Planters and Farmers Association, Inc.**
- **Alegria Women's Organization**
- **Asosasyon ng Dacanlao sa Higit na Kaunlaran Producers Cooperative**
- **Community Relations Fishing Association**
- **Integrated Multipurpose Cooperative**
- **Semirara Employees Cooperative**
- **Semirara Fishermen's Association**
- **Semirara Tricycle Operators and Drivers Association**
- **Semirara Women's Organization**
- **Tinogboc Farmers' and Fishermen Association**
- **Villaresis Fishermen's Associations 1 & 2**
- **Villaresis-Pinagpala-Bagong Barrio Fisherfolks Association, Inc.**

Socio-economic Compliance

Meeting legal obligations is the first requisite for operating as an ethical, legitimate business. By doing so, we mitigate our risks and apply directives for sustainable practices that allow us to work within the mining and power industry for the long-term.

The external mandates we follow touch on the economic, environmental, and social aspects of our business that work jointly with our internal regulatory measures. Our Governance, Risk, and Compliance (GRC) framework works in a fair governance system and robust risk management that becomes the driving force of our business strategy.

We hold regular stakeholder consultations through SMPC's Multi-partite Monitoring Team (MMT) in order to stay up-to-date with the concerns of our key stakeholders. SMPC also provides quarterly reports to the DOE and annual reports to the Energy Regulatory Commission (ERC).

Industry regulators and the DOE provide rules that we follow closely along with our Environmental Compliance Certificate (ECC) issued by the DENR. Incidents of non-compliance are duly recorded and reported to relevant government bodies and regulators.

INCIDENT OF NON-COMPLIANCE IN 2020

419-1

Our mining safety incident of non-compliance for the year was promptly reported to the DOE.

On July 20, 2020, an incident occurred at the limestone quarry in the area of the Payong-Payong Wall of the West Narra Quarry in Semirara Island. The incident resulted in one fatality.

In response, the DOE issued on August 19, 2020, an order directing SMPC to implement immediate corrective action, including the payment of penalty amounting to PhP20,000.00 for failure to correct unsafe conditions or non-compliance to Rules 3, 8, 417, 425 and 428 of the DOE Department Circular No. DC2018-12-0028, otherwise known as the "Coal Mine Safety and Health Rules and Regulations".

On November 10, 2020, SMPC reported its full compliance with the DOE's corrective measures and directives.
Status: *Closed.*

UPDATE TO PRIOR NON-COMPLIANCES

Quarry Safety Incident

In October 2019, a mudflow incident at the Casay Lake area near the Molave Pit in Semirara Island resulted in one employee fatality. SMPC has fully complied with the DOE directives, including the removal of all liquefiable materials during the year.
Status: *Closed.*

Coal Trading Cease and Desist Order 2019

On October 15, 2019, SMPC was cited as having violated DOE Circular No. DC2012-05-0006, also known as the "Guidelines on the Accreditation of Coal Traders and Registration of Coal End-Users". The subsequent imposition of PhP 610,000 penalty fee resulted in the final resolution of the case in 2021.
Status: *Closed.*

Strengthening Leadership, Enhancing Corporate Governance

At SMPC, we aim for the highest level of performance aligned with the values of accountability, transparency, and fairness. Our integrated systems for corporate governance guide our actions to encourage sustainable decision-making within the interests of our stakeholders and shareholders.

An Advocate of Good Governance

We sustained our good governance standing by scoring 100.1 points based on the 2020 ASEAN Corporate Governance Scorecard (ACGS) assessment of Philippine publicly-listed companies (PLCs). Our score in this year's ACGS assessment is a further improvement from the 2019 ACGS in which we scored 97.6 points.

The ACGS is an initiative of the ASEAN Capital Markets Forum to assess the corporate governance performance of PLCs in six ASEAN member countries, including the Philippines.

In 2020, SMPC was honored with the ASEAN Asset Class award for being among the top-scoring PLCs in the ASEAN region based on the 2019 ACGS assessment. The recognition was given to PLCs which scored 97 points and higher in the region.

For the 2019 ACGS assessment, SMPC was also accorded the two-Golden Arrow recognition by the Institute of Corporate Directors. The Institute is the SEC's domestic ACGS ranking body at the country level that gives the Golden Arrow award to PLCs that score 90 to 99 points.

As a company consistently ranking among the Top 100 Philippine PLCs in ACGS since 2015, we stand by the values and pillars embedded in our corporate governance framework.

The Board follows a governance framework that complies with international and SEC-mandated corporate governance recommendations, namely: (1) The SEC Corporate Governance Code for Publicly Listed Companies, (2) the PSE Corporate Governance Guidelines for Listed Companies, and (3) the ACGS. By adhering to these standards, SMPC encourages governance that is transparent, accountable, and compliant.

Our Corporate Governance Structure 102-18

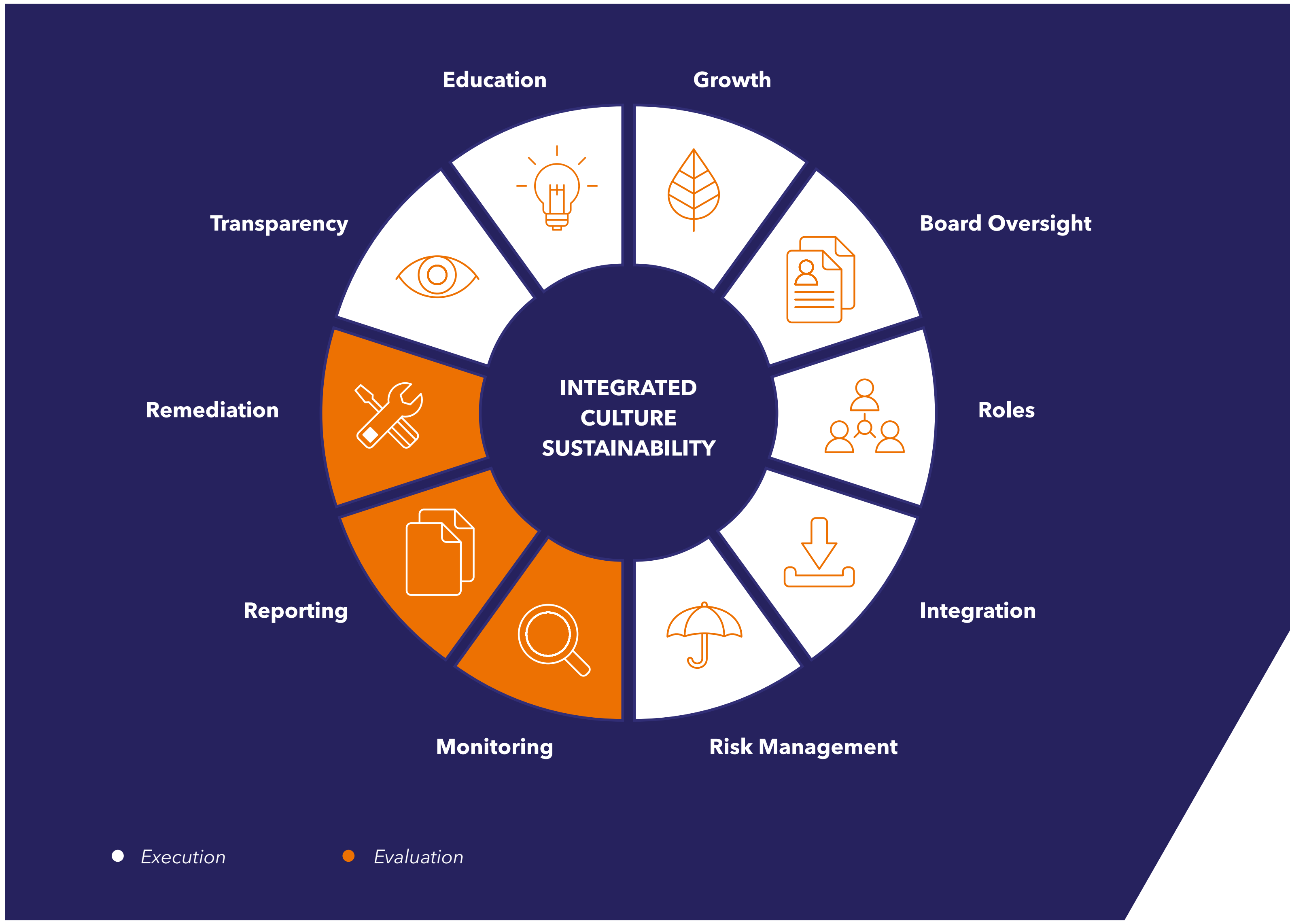
Our Principles of Corporate Governance 102-26

Responsibilities of the Board	1 A competent, working board fosters the long-term success of the organization in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders. 2 The fiduciary roles, responsibilities and accountabilities of the Board are clearly made known to all directors, to shareholders, and to other stakeholders. 3 Board committees ensure and support the effective performance of the Board's functions. 4 Directors devote the time and attention necessary to properly and effectively perform their duties and responsibilities. 5 The Board endeavors to exercise objective and independent judgment. 6 The Board maintains its effectiveness through a regular appraisal process. 7 Board members are duty-bound to uphold high ethical standards in the interests of all stakeholders.
Disclosure and Transparency	8 The Company sets corporate disclosure policies and procedures in accordance with best practices and regulatory expectations. 9 The Company establishes the appropriate selection and appointment of an external auditor and exercises effective oversight of his independence and audit quality. 10 Material and reportable non-financial and sustainability issues are disclosed. 11 The Company maintains a comprehensive and cost-efficient communication channel for disseminating relevant information for informed decision-making by investors, stakeholders, and other interested users.
Strong Internal Controls and Enterprise Risk Management	12 The Company has a strong and effective internal control system and enterprise risk management framework to ensure the integrity, transparency, and proper governance of its affairs.
Stakeholder Relations	13 The Company treats all shareholders fairly and equitably. 14 The rights of stakeholders established by law, by contractual relations and through voluntary commitments, must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights. 15 A mechanism for employee participation is established to create a symbiotic environment, realize the Company's goals and participate in its corporate governance processes. 16 The Company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Note: Our detailed policies can be found in our Manual on Corporate Governance and Code of Conduct and Business Ethics at http://www.semiraramining.com/corporate_governance.

Our corporate governance is part of a greater Integrated Enterprise Governance, Risk, and Compliance (GRC) Framework that directs the Company towards holistic and sustainable management practices. With this framework, we have successfully addressed challenges through calculated internal controls, assessment, and independent evaluation. The Board of Directors continues to be guided by this framework alongside our Company's references for good governance, such as our Manual on Corporate Governance and Code of Conduct and Business Ethics. In 2020, the Company fully complied with the provisions of its Manual on Corporate Governance.

Our Integrated Enterprise Governance, Risk, and Compliance (GRC) Framework



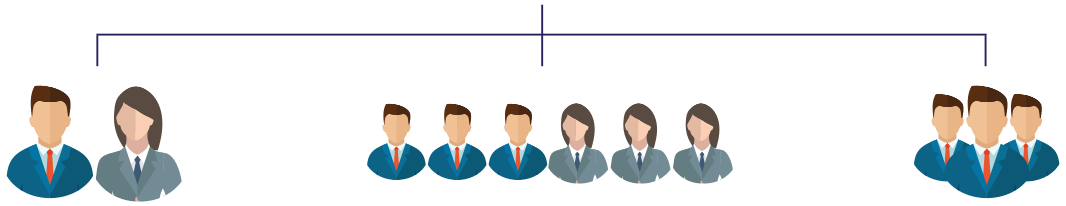
Leadership: The Board of Directors 102-22

Diversity and competency are defining characteristics of our Board of Directors. Currently, the Board holds an array of experts in the fields of engineering, economics, finance, and management of essential industries. We at SMPC believe that effective decision-making is best supplemented by a breadth of skill sets and perspectives.

SMPC was recently listed as one of the three Philippine companies in the Bloomberg Annual Gender Equality Index (GEI). The GEI recognizes 380 businesses across 50 industries in 44 countries, with the Company joining the list for the first time in 2021. Criteria for the GEI include the presence of female leadership, participation, and inclusive company policies. The Company continues to commit itself to fair and diverse management capable of upholding sustainability.

Board Composition

11
Board Members



2
Executive Directors*

- Isidro A. Consunji
- Maria Cristina C. Gotianun

6
Non-Executive Directors**

- Cesar A. Buenaventura
- Herbert M. Consunji
- Josefa Consuelo C. Reyes
- Luz Consuelo A. Consunji
- Jorge A. Consunji
- Ma. Edwina C. Laperal

3
Independent Directors***

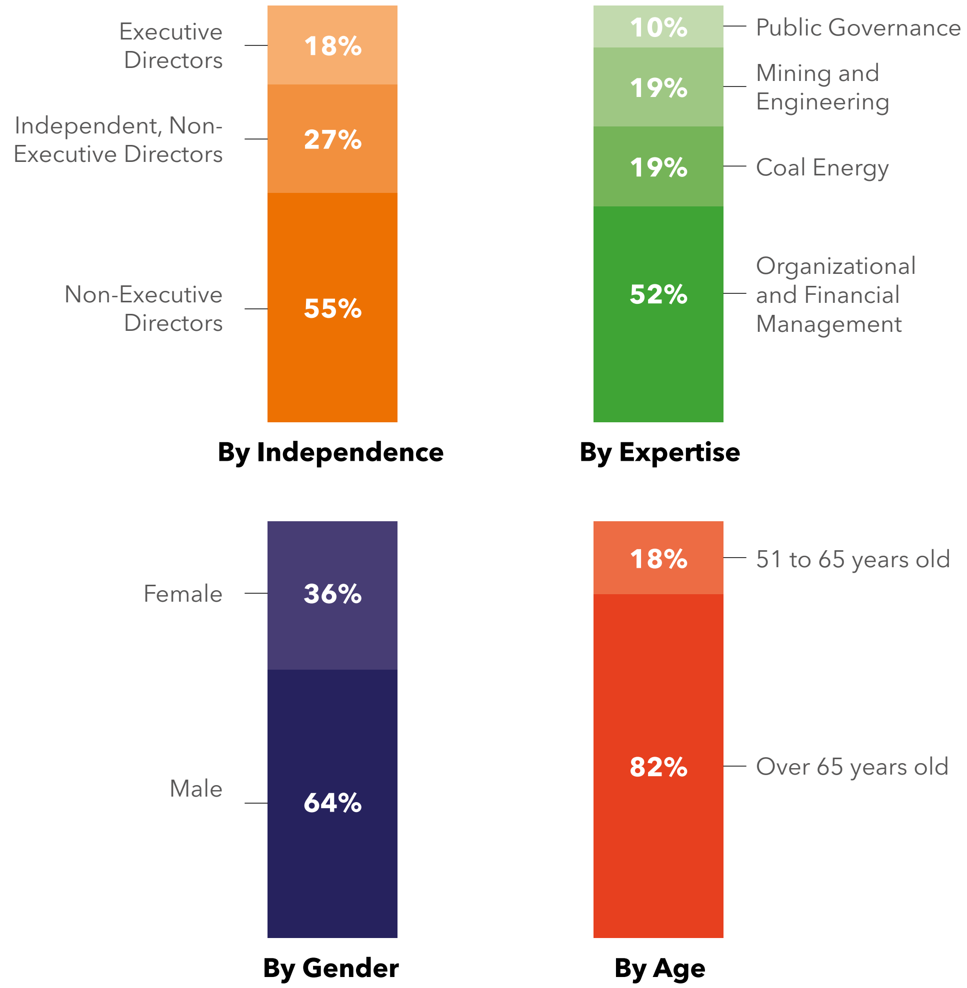
- Rogelio M. Murga, *Lead Director*
- Honorio O. Reyes-Lao
- Antonio Jose U. Periquet Jr.

* *Our Executive Directors did not serve on more than two boards of listed companies outside of our parent company, DMCI Holdings Inc. during the year.*

** *In 2020, our Non-Executive Director, Cesar A. Buenaventura and Independent Director, Antonio Jose U. Periquet, Jr. held more than five directorships in publicly listed companies. Their concurrent directorships have not affected their effectiveness in exercising their roles and responsibilities.*

*** *An Independent Director can be elected to only five companies within the DMCI Group conglomerate*

Board Diversity



NOMINATION AND SELECTION 102-24

Directors are nominated to the Board by the Corporate Governance Committee to fill any Board vacancies. During the assessment and nomination process, candidates for board membership are evaluated based on the alignment of their knowledge, competencies, experience and skills with the Company's strategy. Conflicts of interest, potential or otherwise, are considered during evaluation. Directors are subject to election or reelection during the Annual Stockholders' Meeting (ASM).

ATTENDANCE AND DIRECTORSHIP IN OTHER BOARDS 405-1

The Board had seven (7) meetings, including its organizational meeting in 2020. All Directors fully complied with the SEC's minimum Board meeting attendance requirement of 50%. Details of our Board and Board Committee meeting attendance are disclosed in our SEC 17-A.

The Chairmen of our Audit Committee, Risk Committee and Corporate Governance Committee attended our virtual Annual Stockholders' Meeting on July 3, 2020, to address possible shareholder queries on Committee matters.

102-27, 102-28, 102-35, 102-36, 102-37, 102-38, 102-39

REMUNERATION

The remuneration of the Board of Directors consists of an annual retainer fee, per diem, reimbursement of allowances and, when appropriate, short-term cash incentive for regular Executive Directors.

Our Board Charter on Good Governance Guidelines does not allow personal loans or extensions of credit to Directors unless approved by the Board. No such loans were granted in 2020.

Total Annual Compensation Package Limit
(Including bonuses)

10%

of the Company's net income before tax during the previous year

PERFORMANCE AND EVALUATION

As the highest governing body, Board members are responsible for maintaining their capacity for effective corporate governance. To directly provide the Board with opportunities for enhancing their knowledge and skills, SMPC promotes participation through the Director Development Program while bringing new Directors up-to-date through an orientation covering the Company's financial, operational, and governance aspects.

The Board is evaluated through the annual Board Performance Assessment. This is a self-assessment designed to cover the entire Board, its committees, and the individual. The Corporate Governance Committee reviews the results of the assessments and coordinates with the Board to craft strategies for improvement. In 2020, performance assessments were facilitated by the Castillo Laman Tan Pantaleon & San Jose Law Firm, a third party.

SUCCESSION PLANNING

Sustainable corporate governance is anchored on effective management across terms. SMPC's Executive Succession Plan duly accounts for the smooth transition between leaders, providing the process for succession for key positions. Candidates are trained and developed through SMPC's leadership program to prepare them for positions of greater responsibility in the future.

Remuneration Summary

Executive Director	Non-Executive Director and Independent Director
Fixed Retainer Fee PhP240,000 per annum*	Fixed Retainer Fee PhP150,000/month (or PhP1,800,000 per annum)**
Fixed Meeting Per Diem PhP20,000/Committee Meeting attended*	Fixed Meeting Per Diem PhP20,000/Committee Meeting attended*

** Date of Shareholder approval – May 4, 2009*
*** Date of Shareholder approval – May 4, 2015*

Note: Details of Directors' individual remuneration in 2020 are disclosed in our SEC 17-A Annual Report.

Board Committees 102-22

Corporate Governance Committee

Chairman	Members
Honorio O. Reyes-Lao - Independent Director	**Rogelio M. Murga** - Independent Director **Maria Cristina C. Gotianun** - Executive Director

Main Oversight

- Nomination and selection process and criteria for directorship
- Board and Director performance and development
- Board and executive succession planning
- Key officers appointment and movement
- Corporate governance

Note: The Corporate Governance Committee's accomplishments for the year are disclosed in our SEC 17-A Annual Report and I-ACGR.

Risk Committee

Chairman	Members
Rogelio M. Murga - Independent Director	**Honorio O. Reyes-Lao** - Independent Director **Isidro A. Consunji** - Executive Director

Main Oversight

- Enterprise-wide risk management framework
- Risk governance
- Risk management practices and policies

Note: The Risk Committee's accomplishments for the year are disclosed in our SEC 17-A Annual Report and I-ACGR.

Audit Committee

Chairman	Members
Antonio Jose U. Periquet Jr. - Independent Director	**Rogelio M. Murga** - Independent Director **Honorio O. Reyes-Lao** - Independent Director **Herbert M. Consunji** - Non-Executive Director

Main Oversight

- Financial reporting process and integrity of the financial statements
- Internal control environment
- External and internal audit performance
- Related party transactions
- Compliance with legal and regulatory requirements

Note: The Audit Committee Annual Report to the Board of Directors is included in our SEC 17-A, as well as our I-ACGR.

MONITORING OUR COMPLIANCE TO POLICIES AND STANDARDS

SMPC conducts self-monitoring, alongside industry best practices, with the rigorous discipline required of a responsible power and mining company.

INTERNAL AUDITS

Regular surveillance audits are conducted by internal auditors to ensure a strong enterprise-wide compliance system and culture.

INTERNAL MONITORING

Our Environmental Unit, together with concerned groups, regularly assesses the effectiveness of our environmental programs to identify areas for improvement.

EXTERNAL AUDITS

External assurance parties and local regulators are invited to assess our compliance with government regulations, industry guidelines and conformance to internationally recognized standards.

MULTI-SECTORAL MONITORING

Composed of government representatives and various stakeholder groups, a Multi-Partite Monitoring Team (MMT) oversees and evaluates the Company's compliance with ECC conditions, applicable laws, rules and regulations on a quarterly basis.

COMPLIANCE TO PHILIPPINE REGULATIONS

We work closely with the Department of Energy (DOE) and regulators, aligning our policies and processes with relevant government laws and standards.

We also comply with the specific measures and conditions set forth in the Environmental Compliance Certificate (ECC) issued by the Philippine Department of Environment and Natural Resources (DENR).

CONFORMANCE TO GLOBAL SAFETY STANDARDS AND SUSTAINABLE BEST PRACTICES

Our Coal operations have been ISO and OHSAS-certified for the past twelve years. In 2020, Occupational Safety and Health (OSH) system successfully migrated to ISO 45001:2018. On the other hand, our Power subsidiaries, Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC) continue to be certified to the same international standards on Quality, Environment, and OSH management systems in the past four years.

COMMUNICATION BEYOND COMPLIANCE

We wish to set the standard for reporting and transparency within the industry. With the understanding that the best way to relay our operations to our stakeholders is through complete, timely, and balanced information, we have consistently complied with SEC and PSE mandates. SMPC continues to find ways to improve its reporting practice, looking not only at what is required, but also at international standards that can better frame our disclosures.

Currently, our company disclosures include the following:
- Board Attendance and Changes
- Quarterly Financial Reports
- Changes in Shareholdings of Directors, Principal Officers and Beneficial Owners
- List of Top Shareholders
- Compliance Report on Corporate Governance

We implement an Information Policy that secures the provision of information to our investment partners and relevant stakeholders. These disclosures include our financial performance, operating highlights, growth prospects, potential risks, and non-financial issues.

INVESTOR RELATIONS

Our Investor Relations (IR) unit is centralized under our parent company, DMCI Holdings, Inc.'s (DMC) group-wide IR function to enhance alignment of the group's investor relations strategy and engagement.

Our IR contact information
Email: **Investor_Relations@semirarampc.com;**
Telephone: **+632 8888-3000**

Investor Engagement Platforms

Annual Stockholders' Meeting	July 3, 2020
Analyst-Media Briefings	• Joint SCC-DMC Media Briefing July 14, 2020 • Joint SCC-DMC H1 2020 Analysts' Briefing August 10, 2020 • SCC 9M 2020 Analysts' Briefing October 29, 2020
Local Investor Conference	• Maybank Kim Eng Invest ASEAN 2020 August 14, 2020 • Jefferies and Regis Partners Corporate Access October 14, 2020

Equitable Treatment of Shareholders

Our corporate governance framework protects minority shareholders from principal risks brought by controlling shareholders at SMPC. Both minority and foreign shareholders are entitled to equitable treatment and the absolute provision of basic shareholder rights embedded in our Principles of Corporate Governance.

"ONE common share, ONE vote"

PROPORTIONATE VOTING

We uphold a share structure of "one vote per one common share". SMPC has no current practice that awards disproportionate voting rights to select shareholders.

SHARE REPURCHASE

All shareholders are treated equally and fairly regarding share repurchases.

VOTING RIGHTS

We uphold our shareholders' right to be informed, to participate, and to vote on important matters during the ASM.

MATTERS OF FUNDAMENTAL IMPORTANCE

- Amendments to the Company's constitution and similar governing documents
- Appointment and re-appointment of external auditor
- Authorization of additional shares
- Election of Directors, done individually
- Extraordinary transactions, including transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets
- Nomination by non-controlling shareholders of candidates for Board Directors
- Remuneration (per diem, fees) of Directors

ANNUAL STOCKHOLDERS' MEETING

The Annual Stockholders' Meeting is held on the first Monday of May each year. It is an opportunity for Board members to interact with the Company's partners and investors, and relay the current standing of the Company across relevant areas of concern. As the main engagement platform between SMPC's Board and shareholders, the ASM serves as our way of assuring shareholders by being transparent with our operations and inclusive in our decision-making.

In light of the pandemic and avoidance of unnecessary physical contact, SEC allowed for the Annual Stockholders' Meeting this year to be held online. Shareholders virtually attended the rescheduled ASM on July 3, 2020. Precautions were taken and systems were installed to reinforce shareholder protection during the meeting.

During the 2020 ASM, the following were present to address possible shareholder queries: the Chairman of the Board and Chief Executive Officer, Board Directors, President and Chief Operating Officer, Chief Finance Officer, Corporate Secretary, Investor Relations Officer, other Key Officers, and the external auditor SGV & Co.

Agenda of the Meeting

- Approval of the minutes of the previous year's ASM held on May 6, 2019, and rationale thereof
- Approval of Management Report for 2019 and rationale thereof
- Ratification of the acts of the Board and Management in 2019 and until the date of the ASM, and rationale thereof
- Re-appointment of SGV & Co. as independent external auditor, with details of name, qualification, and details thereof
- Election of Board Directors individually, with information on individual profile of nominees for election to the Board with the following details: age, education, experience, position, type of directorship, other directorships in listed and non-listed companies, Board Committee memberships, beneficial share ownership and Board meetings attended
- Other matters

POLL VOTING

As we uphold equality among our shareholders, we provide equal opportunity for shareholders to vote in person, electronically, or in absentia.

The following procedures were adopted for the virtual 2020 ASM:

- Poll voting was conducted for all resolutions rather than a show of hands.
- Votes were cast and counted for each agenda item.
- Voting results were presented for each agenda item during the meeting to inform the participants of such outcome.
- SGV & Co. was appointed as the independent body to count and validate the votes from poll casted by the shareholders for items stated in the agenda requiring approval and/or ratification.

DECISION-MAKING

Shareholder concerns are given audience at the ASM. Decisions discussed in the ASM include the nomination of Board members and other matters of fundamental importance.

DISCLOSURE

The tally and results of shareholder votes (approving, dissenting, and/or abstaining) for all resolutions are publicly disclosed to the SEC and PSE within five working days. This information is also publicly available on the Company website within the day of disclosure.

The full Minutes of the 2020 ASM, including the attendance of Board Directors and key officers present and the Certification of Quorum during the ASM are disclosed and uploaded in the website within the prescribed five days following the ASM.

SHAREHOLDERS PARTICIPATION

After the Management Report was delivered by the President and Chief Operating Officer, Maria Cristina C. Gotianun, shareholders and attendees were given the opportunity to raise questions regarding the Management Report and company performance. None were raised during the 2020 ASM.

Our Duties to Stakeholders

As we recognize the mutual support between our Company and stakeholders, we remain responsible for addressing their concerns and contributing to their growth. Our specific duties to our stakeholders are identified in our policies and Code of Conduct and Business Ethics. SMPC continues to protect the rights of our stakeholders through constant engagement and fair treatment processes integrated into our corporate governance framework.

HUMAN RIGHTS

Our Code of Conduct and Business Ethics, stakeholder policies on occupational safety and health, anti-harassment, anti-discrimination, child labor, forced labor, environmental, as well as employee compensation and benefits program, and community relations programs are designed to respect, protect and fulfill human rights at the workplace and communities where we operate.

Through our formal Expectations of Suppliers, Contractors and Business Partners, we communicate and expect suppliers and business partners to uphold responsible and ethical supply chain management and corporate citizenship, including compliance with the principles of human rights and fair play. We may elect to not work with or cease business relationships with partners who do not meet our expectations or are unwilling to take corrective action on noncompliance to ensure we do business the right sustainable way.

Code of Conduct and Business Ethics	Policies, soft controls, and assurance procedures promoting openness, probity, and accountability within the organization
Alternative Dispute Resolution Policy	Alternative dispute resolution processes for settling corporate governance disputes and shareholder/stakeholder differences
Whistleblowing and Hotline Reporting Mechanisms	Secure reporting venue for stakeholders to raise valid complaints and confidential concerns such as fraud, questionable, and unethical transactions in good faith
Gift and Entertainment Policy	Prohibition for employees receiving gifts, benefits, or interest from suppliers, customers, or business partner that could reasonably be interpreted as inducing favoritism over others
Conflict of Interest Policy	Directors, officers, and employees are required to submit a single transaction Disclosure Statement of indirect financial interest in contract or purchase proposed to be entered into by Company

EMPLOYEES

- Safety, Health and Welfare Policy
- Training and Development
- Workplace and Contractor Safety
- Employee Engagement Programs

We are responsible for upholding the growth and safety of our people. Our programs and policies are designed with their development, health, and wellbeing in mind. Employees are given multiple avenues for enhancing their technical and soft skills while being provided with concrete and behavioral mechanisms for safety in the workplace.

CUSTOMERS

- Customer Welfare Policy

Customer welfare is supported through a policy framework that protects their right to information and quality service from SMPC. Our consumers are protected from the unlawful and unethical use of customer data through our principle of responsible marketing and Code of Conduct. Transparency is upheld through proper nominations and declarations protocol, while resolutions and complaints about services rendered are addressed by our team.

SUPPLIERS AND CONTRACTORS

- Supplier and Contractor Policy

SMPC strictly adheres to contractual commitments and obligations to our suppliers and contractors. We build business relationships that are sustainable, high-quality, and bring benefit to our stakeholders through sustainability accreditation, monitoring of our procurement practices, and supplier review and selection.

CREDITORS AND BUSINESS PARTNERS

- Safeguarding Creditors' Rights Policy

We commit to the timely repayment of our obligations to our creditors and business partners. To honor all debt covenants, SMPC enacts operational and fiscal management measures to secure the financial standing of the Company and maintain capacity for repayment. Creditors are protected by our policy for fair dealings and observance of confidentiality of proprietary non-public information.

GOVERNMENT

- Integrated Management Policy

As our regulators and partners in development, we foster a working relationship with government bodies through constant engagement and by meeting obligations. We continue to encourage transparency and collaboration by adhering to government regulations and following an integrated management approach.

COMMUNITIES AND ENVIRONMENT

- Social Development Program
- Environmental Policy
- Climate Change Policy
- Environmental Stewardship Program

SMPC commits itself to building sustainable systems for our local communities. We initiate several social development and environmental programs to provide greater access to education, livelihood, and a healthy ecosystem. As one of the groups most affected by the environmental impacts of our operations, our communities are encouraged to communicate their concerns with us while we stay on track with the rehabilitation and reforestation of local ecosystems.

Transaction Policies

Corporate governance at SMPC benefits and grows from policies that maintain healthy business practices through regulation and ethical transactions. The following policies reflect our no-compromise for upholding good conduct within the Company.

	Coverage	2020 Compliance
Policy on Insider Trading	• Prohibits insider trading among Directors, officers, and employees • Requires prior Stock-Trading reporting protocol for Directors and officers to notify the Legal Department	There was no insider trading case violation reported.
Related Party Transactions (RPT) Policy	• Requires Directors, officers, and key management personnel to notify Audit Committee or Corporate Counsel of an immediate family member's past, present, or potential RPT • Requires Independent Directors' review of material RPTs	All actual RPTs were conducted in arms-length terms.
Material Related Party Transactions Policy	• Requires two-thirds approval vote of the Board with at least a majority of the Independent Directors, of all transactions of SMPC and subsidiaries meeting the materiality threshold of RPTs amounting to 10% or higher of SMPC's Total Consolidated Assets based on its latest audited consolidated financial statements	There was no material related party transaction that breached the prescribed SEC materiality threshold during the year.

Assessing Risks, Adapting towards Resiliency

SMPC recognizes the function of thorough risk management practices in driving business growth and sustainability. We account for our operational, regulatory, and financial risks with systems that are ISO-certified and government-regulated. Our risk management approach is geared towards long-term value creation, meeting compliance obligations, and reinforcing our business resiliency.

Our Risk Governance

The Board of Directors establishes the risk appetite of the organization following definition, analysis, and evaluation. This risk level is determined by the Board and attributed depending on specific business functions.

Overseeing the effectiveness of the overall risk management strategy is the Risk Committee, which reports on significant and emerging risks to the Board. The President and COO acts as the Company's Chief Risk Officer (CRO), leading the improvement and implementation of the ERM framework.

OUR PANDEMIC RESILIENCY IN 2020

Business

- Cash preservation and optimization of working capital
- Conservative debt position
- Reduced Capex spend to PhP 4.6 billion, or 25 percent lower from PhP 6.3 billion
- Disposal of non-core assets approximately PhP 547 million
- Short-term and replacement power contracts to mitigate impact of low spot prices
- Robust supply chain for indent critical parts/supplies and local support
- Advanced supply order for diesel fuel to optimize cost due to lower price induced by the pandemic
- Upgraded IT infrastructure and systems to support communications and digitization of processes

People

- Online daily health monitoring tool system
- Work-from-home and flexible work arrangements
- Personal protective equipment, alcohol and Vitamin C
- Rapid and RT-PCR tests conducted (as needed)
- Hand sanitation stations, acrylic barriers, signages, foot bath mats, etc.
- 217-bed quarantine facility at Semirara Island for employees and community
- Transport and bike loan assistance

Our COVID-19 Risk Management

As the disruption created by COVID-19 has significantly changed the business landscape during the year, we took this as an opportunity to understand and address weak areas and leverage strengths.

We focused on renewed risk assessments and more frequent communication and collaboration among our Board and risk management leaders to align with our business objectives. We accelerated digital transformation through the adoption of new systems and technologies and upgrading of infrastructure to ensure the unimpeded delivery of our products and services, productivity, and safety and health of our workforce.

Our Business Continuity Management 102-15

Our Business Continuity Management ensures that critical business processes remain at a level of resiliency with minimal business disruption and uncompromising safety of employees. SMPC progresses as it makes investments towards the overall sustainability of the Company.

Our Risk Management Performance in 2020 102-15

Key Business Risk	Measures	Risk Management	Coal	Power
Safety and Health	• Zero fatality • Reduced non-lost time Injury • Reduced non-lost time accident • Reduced fire incidents • Reduced equipment accidents • Reduction of occupational illnesses	• Proactive hazard identification and risk reduction measures • Pit safety controls • Incident management • Occupational safety and health program • COVID-19 protocols and measures • Flexible and work-from-home arrangements • Safety culture employee engagement program	🟠	🔵
Price Volatility & Supply/ Demand Balance; Power Regulations, Competition and Commodity Trading	• Financial targets	• Global price index monitoring • Wholesale Electricity Supply Market (WESM) price monitoring • Contracts management • Optimization of market opportunities	🟠	🟠
Asset Performance	• Equipment and/or Power Plant availability, reliability, and utilization • Power Net Generation • Strip Ratio and BCM/HR • Cost per metric ton (MT) • Fuel efficiency	• Coal fleet optimization • Maintenance management • Power asset management program • Power fuel management and other cost savings initiatives • Project management	🔵	🔵
Natural Hazards & Physical Security	• Business continuity • Major physical security breach	• Business Continuity Management system • Inventory and resource management • Physical Security Management • Partnerships with local government and private institutions • Disaster preparedness program	🔵	🔵

102-15

Key Business Risk	Measures	Risk Management	Coal	Power
People & Talent	• Retention rate • Succession management	• Talent management and retention program • Succession management • Calibrated learning and development program	🔵	🔵
Compliance & Reputation	• Full compliance • Fulfillment of community commitments	• Impact assessment and implementation of new or emerging rules and regulations • Compliance monitoring and reporting system • Proactive community engagement and relations program • Information, Education and Communication program	🔵	🔵
Procurement & Inventory Management	• On-time delivery • Availability of critical parts	• Supply chain management • Streamlining delivery process	🔵	🔵
Information Technology	• Zero digital operational disruption	• Disaster Recovery Plan • Incident Response Management • Continual enhancement of information technology (IT) security solutions and upgraded network appliances • Upgraded or new operational technologies and systems • Access to satellite communications	🟢	🟢

🟢 *Achieved* 🔵 *Partially Achieved* 🟠 *Not Achieved*

Board of Directors

ISIDRO A. CONSUNJI, 72
Filipino, Executive Director,
Chairman and Chief Executive Officer,
2020 Risk Committee, Member

Board Appointment
- First appointment as Chairman, *November 2014*
- First appointment as a director, *May 2001*
- Last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)
- Atlas Consolidated Mining and Development Corporation

Other Directorships within Company Group
- Dacon Corporation
- DMCI Masbate Power Corporation
- DMCI Mining Corporation
- DMCI Project Developers, Inc.
- ENK Plc (U.K.)
- M&S Company Inc.
- Maynilad Water Services
- Sem-Cal Industrial Park Developers Inc.
- Sem-Calaca Power Corporation
- Semirara Cement Corporation
- Semirara Claystone Inc.
- Semirara Energy Utilities Inc.
- Southeast Luzon Power Generation Corporation
- Southwest Luzon Power Generation Corporation
- St. Raphael Power Generation Corporation
- Toledo Mining Corporation Plc (U.K.)

Education
- BS Civil Engineering
  University of the Philippines Diliman
- Master of Business Economics
  Center for Research & Communication (now University of Asia and the Pacific)
- Master of Business Management
  Asian Institute of Management
- Advanced Management
  IESE School, Barcelona, Spain

MARIA CRISTINA C. GOTIANUN, 66
Filipino, Executive Director, President,
Chief Operating Officer, and Chief Risk Officer
2020 Corporate Governance Committee, Member

Board Appointment
- First appointment as a director, *May 2006*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)

Other Directorships within Company Group
- Dacon Corporation
- Divine Word School of Semirara Island, Inc.
- DMCI Masbate Power Corporation
- DMCI Power Corporation
- Sem-Cal Industrial Park Developers Inc.
- Sem-Calaca Power Corporation
- Semirara Claystone Inc.
- Semirara Energy Utilities Inc.
- Semirara Training Center, Inc.
- Southeast Luzon Power Generation Corporation
- Southwest Luzon Power Generation Corporation
- St. Raphael Power Generation Corporation

Education
- BS Business Economics
  University of the Philippines Diliman

CESAR A. BUENAVENTURA, 91
Filipino, Non-Executive Director

Board Appointment
- First appointment as a director, *May 2001*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- Concepcion Industrial Corporation
- DMCI Holdings, Inc. (within Company Group)
- International Container Terminal Services, Inc.
- iPeople, Inc.
- PetroEnergy Resources Corporation.
- Pilipinas Shell Petroleum Corporation

Other Directorships within Company Group
- DM Consunji, Inc.

Education
- BS Civil Engineering
  University of the Philippines
- Master's Degree Civil Engineering
  Major in Structures,
  Lehigh University, Bethlehem, Pennsylvania (Fulbright Scholar)

Special Recognition
- Honorary Officer,
  Order of the British Empire by Her Majesty Queen Elizabeth II

JORGE A. CONSUNJI, 69
Filipino, Non-Executive Director

Board Appointment
- First appointment as a director, *May 2001*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)

Other Directorships within Company Group
- Cotabato Timberland Co., Inc.
- D.M. Consunji, Inc.
- Dacon Corporation
- DMCI Masbate Power Corporation
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Project Developers, Inc.
- Eco-Process & Equipment Phils. Inc.
- M&S Company, Inc.
- Maynilad Water Services, Inc.
- Royal Star Aviation, Inc.
- Sem-Cal Industrial Park Developers Inc.
- Sem-Calaca Power Corporation
- Semirara Claystone Inc.
- Semirara Energy Utilities Inc.
- Sodaco Agricultural Corporation
- Southeast Luzon Power Generation Corporation
- Southwest Luzon Power Generation Corporation
- St. Raphael Power Generation Corporation

Education
- BS Industrial Management Engineering
  De La Salle University, Manila
- Advanced Management Program Seminar
  University of Asia and the Pacific
- Top Management Program
  Asian Institute of Management

HERBERT M. CONSUNJI, 68
Filipino, Non-Executive Director,
2020 Audit Committee, Member

Board Appointment
- First appointment as a director, *May 2001*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)

Other Directorships within Company Group
- DM Consunji, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Project Developers, Inc.
- DMCI-MPIC Water Company Inc.
- Sem-Cal Industrial Park Developers Inc.
- Sem-Calaca Power Corporation
- Semirara Claystone Inc.
- Southwest Luzon Power Generation Corporation
- Subic Water & Sewerage Corp.

Education
- BS Commerce, Major in Accounting
  De La Salle University
- Top Management Program
  Asian Institute of Management

MA. EDWINA C. LAPERAL, 59
Filipino, Non-Executive Director

Board Appointment
- First appointment as a director, *May 2007*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)

Other Directorships within Company Group
- Artregard Holdings, Inc.
- D.M. Consunji, Inc.
- Dacon Corporation
- DFC Holdings, Inc.
- DMC Urban Property Developers, Inc.
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

Education
- BS Architecture
  University of the Philippines
- Master in Business Administration
  University of the Philippines
- Executive Certificate for Strategic Business
  Economics Program
  University of Asia and the Pacific

JOSEFA CONSUELO C. REYES, 73
Filipino, Non-Executive Director

Board Appointment
- First appointment as a director, *March 2015*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- Nil

Other Directorships within Company Group
- Manila Herbal & Essential Oils Co., Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

Education
- AB Economics
  University of British Columbia, Vancouver, Canada
- Strategic Business Economics Program
  University of Asia and the Pacific

LUZ CONSUELO A. CONSUNJI, 67
Filipino, Non-Executive Director

Board Appointment
- First appointment as a director, *May 2017*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (within Company Group)

Other Directorships within Company Group
- Dacon Corporation
- Sem-Calaca Power Corporation
- South Davao Development Co.
- Southwest Luzon Power Generation Corporation
- Zanorte Palm-Rubber Corp.

Education
- B.S. Commerce, Major in Management
  Assumption College
- Master in Business Economics
  University of Asia and the Pacific

ROGELIO M. MURGA, 86
Filipino, Lead Independent Director,
2020 Risk Committee, Chair;
2020 Audit Committee, Member;
2020 Corporate Governance Committee, Member

Board Appointment
- First appointment as a director, *November 2014*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- Nil

Other Directorships within Company Group
- Sem-Calaca Power Corporation
  (Independent Director)
- Southwest Luzon Power Generation Corporation
  (Independent Director)

Education
- BS Mechanical Engineering
  University of the Philippines
- Senior Management Program
  Harvard Business School in Vevey, Switzerland
- Honorary Degree of Doctor of Science –
  Honoris Causa
  Feati University (2004)

HONORIO O. REYES-LAO, 76
Filipino, Independent Director,
2020 Corporate Governance Committee, Chair;
2020 Audit Committee, Member
2020 Risk Committee, Member

Board Appointment
- First appointment as a director, *May 2007*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (Independent Director, within Company Group)
- Philippine Business Bank

Other Directorships within Company Group
- DMCI Project Developers, Inc.
  (Independent Director)
- Sem-Calaca Power Corporation
  (Independent Director)
- Southwest Luzon Power Generation Corporation
  (Independent Director)

Education
- BA Major in Economics
  De La Salle University
- BS Commerce, Major in Accounting
  De La Salle University
- Master in Business Management
  Asian Institute of Management
- Banking Operation
  Philippine Banking Institute

ANTONIO JOSE U. PERIQUET, JR., 60
Filipino, Independent Director,
2020 Audit Committee, Chair

Board Appointment
- First appointment as a director, *August 2019*
- Date of last re-election as a director, *July 3, 2020*

Present Directorship in Listed Companies
- DMCI Holdings, Inc. (Independent Director, within Company Group)
- ABS-CBN Corporation
- Ayala Corporation
- Bank of the Philippine Islands
- Max's Group of Companies
- Philippine Seven Corporation

Other Directorships within Company Group
- Sem-Calaca Power Corporation
  (Independent Director)
- Southwest Luzon Power Generation Corporation
  (Independent Director)

Education
- AB Economics
  Ateneo de Manila University
- Master of Science in Economics
  Oxford University, UK
- Master in Business Administration
  Darden Graduate School of Business
  Administration
  University of Virginia, USA

Key Officers

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ISIDRO A. CONSUNJI
Chairman of the Board
and Chief Executive Officer

MARIA CRISTINA C. GOTIANUN
President, Chief Operating Officer
and Chief Risk Officer

JUNALINA S. TABOR
Vice President
and Chief Finance Officer

ATTY. JOHN R. SADULLO
Vice President, Legal,
Corporate Secretary and
Counsel; and Corporate
Information Officer

RUBEN P. LOZADA
Vice President,
Mining Operations
and Resident Manager

JOSE ANTHONY T. VILLANUEVA
Vice President,
Marketing for Coal

ANDREO O. ESTRELLADO
Vice President, Power Market
and Commercial Operations

NENA D. ARENAS
Vice President,
Chief Governance Officer
and Compliance Officer

CARLA CRISTINA T. LEVINA
Vice President,
Chief Audit Executive

JOJO L. TANDOC
Vice President,
Human Resources
and Organization Development

KARMINE ANDREA S.J. CHING
Assistant Vice President,
Corporate Planning

JAIME B. GARCIA*
Vice President,
Procurement and Logistics

ANTONIO R. DELOS SANTOS*
Vice President,
Treasury

**Retired Dec 31, 2020*

Other Corporate Officers

LEAH ANNE A. AGDUYENG
Manager, Internal Audit

J. SAMSON L. CLEMENTE, JR.
Manager, Treasury

LEANDRO D. COSTALES, JR.
Head, Accounting
and Controllership

NIÑO ODELON R. DE LUMBAN
Manager, Supply Chain
Management

RICARDO ERVIN R. DULDOCO
Manager, Market Analysis
and Regulatory

RAMEL CELINO S. MANGUBAT
Manager, Risk Advisory
and Data Protection Officer

ARIS V. POLICARPIO
Manager, Power Market
and Commercial Operations

JOSEPH D. SUSA
Manager, Internal Audit

JESUS G. VILLAVICENCIO, JR.
Manager, Energy Trading

REX C. VILLARIAS
Officer-in-Charge, Information
and Communications Technology

GILBERT M. ALLAM
Assistant Manager, Network
Technical and Infrastructure

MA. REBECCA T. RAMOS
Assistant Manager,
Import and Export

ANDY D. RAYMUNDO
Assistant Manager, Functional
Applications

RAFAEL L. ANTONIO
Officer,
Corporate Communications

CHRISTOPER E. FERNANDEZ
Officer, Administrative
and General Services

MELINDA V. REYES
Officer, Property Risk
and Insurance

RANDICRIS J. TIBAYAN
Officer, Environmental, Social, and
Governance

Operations Management

COAL

RUBEN P. LOZADA
Vice President, Mining Operations and Resident Manager

VICENTE CESAR V. MALIG
Manager, Administrative Division

CRESLITO D. BANGALAO
Head, Mine Operations Audit

MARK LOUIS A. BENTAYO
Head, Product

HAROLD HENRY G. CABANILLA
Head, Safety and Integrated Management System

JERRY O. CELO
Head, Electrical Services

JANESTO S. DIAZ, JR.
Head, Environmental and Pollution Control

EDNA A. GAYONDATO
Head, Analytical Laboratory

AGUSTIN D. GONZALES
Manager, Ship Repair and Maintenance

RENE C. GONZALES
Head, Mobile Maintenance

ROWENA A. HORNALES
Head, Materials Control

LETO T. MACLI-ING, JR.
Head, Mine Truck and Shovel Operation

JOBER A. MALSI
Manager, Accounting

RODANTE Q. MOLINA
Head, Mechanical Services

MARK C. MUNAR
Head, Civil Works and Facilities Management and Energy Manager

DANILO S. TIRONA, JR.
Head, Geology

ALMAR G. VALDEMAR
Head, Human Resources

JOSE LEO S. VALDEMAR
Head, Power Plant

BERNARD M. CADIGAL
Officer, Social Development

RACHELLE ANN N. LAURICIO
Officer, Information, Education and Communication

ANNA LIZA F. PATINGAN
Officer, Occupational Health

DENEL C. MATEO
Assistant Vice President, Plant Manager and Data Protection Officer, Sem-Calaca Power Corporation (SCPC)
Officer-in-Charge, Calaca Power Complex

CHARLIE V. ROBLES
Plant Manager and Data Protection Officer, Southwest Luzon Power Generation Corporation (SLPGC)

POWER

BERNARD I. CARPIO
Officer-in-Charge, Maintenance Manager, SLPGC

RANDEE M. DELOS SANTOS
Manager, Accounting, SCPC

MARCELA D. ELLAO
Controller, SCPC

VERMOND PAULO D. LAINEZ
Manager, Operations, SLPGC

ADOLFO M. MENDOZA
Manager, Operations, SCPC

JOSEPHINE G. OLARTE
Head, Finance and Accounting, SLPGC

NOEL N. SALAMAT
Manager, Maintenance, SCPC

Power Shared Services

EDGARDO V. ARAYA
Officer-in-Charge, Support Services

GAYLORD B. ARROYO
Officer-in-Charge, Fire and Safety

RENE N. CORDERO
Manager, Performance and Engineering

CHRISTIAN P. DOLOR[1]
Manager, Human Resources

RICHARD V. ENDAYA
Superintendent, Asset Management

HARVEY B. LUCY
Superintendent, Environmental Section

EDGAR C. MARIANO
Superintendent, General Services

Our Financial Statements

Statement of Management's Responsibility for Consolidated Financial Statements

The management of SEMIRARA MINING AND POWER CORPORATION (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 3rd day of March 2021.

Isidro A. Consunji
Chairman of the Board and Chief Executive Officer

Junalina S. Tabor
Chief Finance Officer

Statement of Board of Directors' Responsibility for Internal Controls & Risk Management Systems

The Board of Directors ("Board") of SEMIRARA MINING AND POWER CORPORATION (the Company) is responsible for the internal controls and risk management systems. The Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

March 3, 2021

Isidro A. Consunji
Chairman and Chief Executive Officer

Antonio Jose U. Periquet, Jr.
Audit Committee Chairperson

Rogelio M. Murga
Risk Committee Chairperson

Audit Committee Report to the Board of Directors
For the Year Ended December 31, 2020

The Audit Committee ("Committee") assists the Board of Directors ("Board") in fulfilling oversight of the following matters consistent with its Board-approved Audit Committee Charter:

- Internal control environment,
- financial reporting process and integrity of the financial statements including disclosures,
- external audit function,
- internal audit function, and
- compliance with reporting, legal and regulatory requirements.

In 2020, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of four (4) Board members, three (3) of whom are Independent Directors and one (1) Non-Executive Director.
2. The Chairman of the Audit Committee is an Independent Director.
3. The Committee had five (5) full Committee meetings on January 27, February 26, May 5, August 4, and October 27, 2020, which included a private session (without management) with the external audit SGV Partner on February 26, 2020.
4. Recommended to the Board the reappointment of SGV & Co. as external auditor in 2020 based on SGV's performance, independence, qualifications and with due regard of Management's feedback.
5. Discussed with SGV Partner Dhonabee Señeres in a private session without the presence of Management, the audit areas of emphasis, related party transactions, and fraud, if any.
6. Reviewed and approved SGV's 2020 SGV engagement plan, scope, and fees.
7. Discussed with SGV and Management significant financial reporting issues, audit observations, audit engagement plan and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting.
8. Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries as of and for the year ended December 31, 2020, ensuring that financial statements are in accordance with the required accounting and reporting standards
9. Reviewed, deliberated and resolved the significant accounting policies and estimates affecting the financial statements.
10. Reviewed significant related party transactions (RPT) are conducted at arms-length and meet the guidelines of the RPT Policy, Material RPT Policy and thresholds per Securities and Exchange Commission (SEC) rules and regulations.
11. Discussed with Internal Audit (IA) in a private session the assurance results with emphasis on the results of the analytics reviews and fraud risk matters.
12. Reviewed and discussed IA's 2019 annual report and results of assurance engagement work done during the period.
13. Reviewed and approved IA's 2020 risk-based Annual Plan for SMPC Group, work activity, budget and resources including subsequent revisions.
14. Reviewed IA's assurance work activities and monitoring of management action plans.
15. Conducted evaluation of the internal audit function and the Chief Audit Executive's performance for improvement and effectiveness; and noted the 2019 Attestation of Internal Controls and Compliance and IA's 2020 Organizational Confirmation Independence.
16. Reviewed the adequacy and effectiveness of the internal controls and risk management system based on reports provided internal and external auditors, and from Management's assessment of internal controls.
17. Exercised oversight and review of Management's governance and compliance issues and updates with potential financial impact.
18. Conducted a self-assessment of the Committee's performance based on SEC's Guidelines on Audit Committee's effectiveness and disclosed such assessment results.
19. The Committee Chairman and members attended the virtual Annual Stockholders' Meeting on July 3, 2020.

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2020 in the Company's Annual Report to the Shareholders and for filing with the Securities and Exchange Commission.

March 3, 2021

Antonio U. Periquet, Jr.
Chairman, Audit Committee

Independent Auditor's Report

The Board of Directors and Stockholders
Semirara Mining and Power Corporation

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion,, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for out opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Provision for Decommissioning and Mine Site Rehabilitation Costs

The Group has recognized provision for decommissioning and mine site rehabilitation costs for the open pit mines of its coal mining activities amounting to ₱254.53 million as of December 31, 2020. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and mine site rehabilitation costs are disclosed in Notes 3 and 16 to the consolidated financial statements.

Audit response

We obtained an understanding of and performed test of controls of management's processes and controls in the estimation of future decommissioning and mine site rehabilitation costs. We evaluated the competence, capabilities and objectivity of the mine site engineers and reviewed the relevant mine rehabilitation plan prepared by the Group's Mine Planning and Exploration Department and its Environment Department. We inquired of changes in the mine plan and in the cash flow assumptions, including management's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the timing of the expected cash flows with reference to the rehabilitation plan for the open pit mines. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing theses external data.

Recoverability of Property, Plant and Equipment with Indicators of Impairment

The Group has yet to obtain a supply agreement for its gas turbine plant with a carrying value of ₱1,073.94 million as of December 31, 2020. Also, the joint venture agreement for the development of a thermal power plant, with a carrying value of ₱282.71 million was terminated during the year. These conditions are impairment indicators for which the Group is required under PFRSs to test the recoverability of the relevant items of property, plant and equipment.

This is a key audit matter because the amounts are material to the consolidated financial statements and the assessment of recoverability requires significant judgement and involves estimation and assumptions about future electricity demand and supply, as well as external inputs such as electricity and coal prices, diesel costs, inflation rate and discount rates. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast.

The relevant information on this matter are disclosed in Notes 3, 8, 10 and 29 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and the assumptions used in the estimation of recoverable amounts. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate, taking into consideration the impact associated with the coronavirus pandemic. We compared the electricity prices, coal prices, diesel costs and inflation rate with externally published data.

We tested the parameters used in the determination of the discount rates against the discount rates of comparable companies.

In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Estimation of Mineable Ore Reserves

The Group's coal mining properties totalling to ₱5,160.28 million as of December 31, 2020 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 10 to the consolidated financial statements.

Audit response

We obtained an understanding of and performed test of controls on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform as assessment of the ore reserves. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material of, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020 valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 3, 2021

Consolidated Statements of Financial Position

ASSETS	December 31 2020	2019
Current Assets		
Cash and cash equivalents (Notes 4, 30, 31 and 32)	**₱8,084,589,496**	₱6,457,084,709
Receivables (Notes 5, 19, 30 and 31)	**3,669,234,219**	3,641,501,084
Inventories (Notes 7, 10 and 21)	**10,740,142,357**	10,219,569,761
Other current assets (Notes 6, 9 and 29)	**805, 492,732**	1,284,979,604
Total Current Assets	**23,299,458,804**	21,603,135,158
Noncurrent Assets		
Property, plant and equipment (Notes 10 and 12)	**45,792,738,168**	47,630,629,428
Right-of-use assets (Note 11)	**156,848,975**	175,979,686
Investment in a joint venture (Note 8)	**-**	45,217,497
Deferred tax assets - net (Note 26)	**854,996,538**	888,181,062
Other noncurrent assets (Notes 6, 9, 12, 30 and 31)	**1,041,682,098**	1,865,980,855
Total Noncurrent Assets	**47,846,265,779**	50,605,988,528
	₱71,145,724,583	₱72,209,123,686
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 15, 19, 30 and 31)	**₱8,306,875,283**	₱8,451,093,045
Short-term loans (Notes 13, 30 and 31)	**5,425,000,000**	2,070,000,000
Current portion of long-term debt (Notes 14, 30 and 31)	**2,775,355,754**	3,459,433,544
Current portion of lease liabilities (Notes 11, 30 and 31)	**13,923,691**	14,171,369
Total Current Liabilities	**16,521,154,728**	13,994,697,958
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14, 30 and 31)	**11,673,716,060**	13,067,601,460
Lease liabilities - net of current portion (Notes 11, 30 and 31)	**89,095,024**	93,366,249
Provision for decommissioning and site rehabilitation costs (Notes 3 and 16)	**279,202,621**	522,804,859
Pension liabilities (Note 20)	**397,545,236**	294,753,397
Total Noncurrent Liabilities	**12,439,558,941**	13,978,525,965
Total Liabilities	**28,960,713,669**	27,973,223,923
Equity		
Capital stock (Notes 17 and 30)	**4,264,609,290**	4,264,609,290
Additional paid-in capital (Note 30)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 18 and 30):		
Unappropriated	**26,807,243,576**	28,833,678,689
Appropriated	**5,300,000,000**	5,300,000,000
Net remeasurement losses on pension plan (Notes 20 and 30)	**(122,842,685)**	(98,388,949)
Treasury shares (Notes 17 and 30)	**(739,526,678)**	(739,526,678)
Total Equity	**42,185,010,914**	44,235,899,763
	₱71,145,724,583	₱72,209,123,686

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	December 31 2020	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 33)			
Coal	**₱16,488,547,162**	₱29,085,433,388	₱23,185,658,133
Power	**11,761,821,344**	15,166,671,920	18,782,854,690
	28,250,368,506	44,252,105,308	41,968,512,823
COST OF SALES (Notes 21 and 33)			
Coal	**12,280,311,958**	17,783,785,669	12,262,084,112
Power	**7,419,105,537**	8,863,373,331	8,582,086,177
	19,699,417,495	26,647,159,000	20,844,170,289
GROSS PROFIT	**8,550,951,011**	17,604,946,308	21,124,342,534
OPERATING EXPENSES (Notes 22 and 33)	**(4,554,061,716)**	(7,364,921,176)	(7,775,795,327)
INCOME FROM OPERATIONS	**3,996,889,295**	10,240,025,132	13,348,547,207
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 24 and 33)	**45,872,939**	282,983,032	129,168,367
Finance costs (Notes 23 and 33)	**(1,094,820,551)**	(1,316,867,512)	(942,934,975)
Foreign exchange gains (losses) - net (Note 33)	**154,685,877**	(8,674,131)	(388,310,437)
Other income - Net (Notes 25 and 33)	**316,719,609**	186,198,604	608,411,854
	(577,542,126)	(856,360,007)	(593,665,191)
INCOME BEFORE INCOME TAX	**3,419,347,169**	9,383,665,125	12,754,882,016
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 26 and 33)	**132,597,757**	(295,125,686)	729,500,958
NET INCOME	**3,286,749,412**	9,678,790,811	12,025,381,058
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 20)	**(34,933,908)**	(89,133,039)	71,775,630
Income tax effect	**10,480,172**	26,739,912	(21,532,689)
	(24,453,736)	(62,393,127)	50,242,941
TOTAL COMPREHENSIVE INCOME	**₱3,262,295,676**	₱9,616,397,684	₱12,075,623,999
Basic/Diluted Earnings per Share (Note 27)	**₱0.77**	₱2.28	₱2.83

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

			Retained Earnings				
	Capital Stock (Note 17)	Additional Paid-in Capital	Unappropriated (Note 18)	Appropriated (Note 18)	Net Remeasurement Loss on Pension Plan (Note 20)	Treasury Shares (Note 17)	Total
							For the Year Ended December 31, 2020
Balances as of January 1, 2020	**₱4,264,609,290**	**₱6,675,527,411**	**₱28,833,678,689**	**₱5,300,000,000**	**(₱98,388,949)**	**(₱739,526,678)**	**₱44,235,899,763**
Comprehensive income							
Net income	-	-	3,286,749,412	-	-	-	3,286,749,412
Other comprehensive loss	-	-	-	-	(24,453,736)	-	(24,453,736)
Total comprehensive income (loss)	-	-	3,286,749,412	-	(24,453,736)	-	3,262,295,676
Cash dividends declared (Note 18)	-	-	(5,313,184,525)	-	-	-	(5,313,184,525)
Balances as of December 31, 2020	₱4,264,609,290	₱6,675,527,411	₱26,807,243,576	₱5,300,000,000	(₱122,842,685)	(₱739,526,678)	₱42,185,010,914
							For the Year Ended December 31, 2019
Balances as of January 1, 2019	**₱4,264,609,290**	**₱6,675,527,411**	**₱20,468,072,403**	**₱9,300,000,000**	**(₱35,995,822)**	**(₱739,526,678)**	**₱39,932,686,604**
Comprehensive income							
Net income	-	-	9,678,790,811	-	-	-	9,678,790,811
Other comprehensive income	-	-	-	-	(62,393,127)	-	(62,393,127)
Total comprehensive income (loss)	-	-	9,678,790,811	-	(62,393,127)	-	9,616,397,684
Cash dividends declared (Note 18)	-	-	(5,313,184,525)	-	-	-	(5,313,184,525)
Reversal of appropriations (Note 18)	-	-	4,000,000,000	(4,000,000,000)	-	-	-
Balances as of December 31, 2019	₱4,264,609,290	₱6,675,527,411	₱28,833,678,689	₱5,300,000,000	(₱98,388,949)	(₱739,526,678)	₱44,235,899,763
							For the Year Ended December 31, 2018
Balances as of January 1, 2018	**₱4,264,609,290**	**₱6,675,527,411**	**₱18,013,400,740**	**₱9,300,000,000**	**(₱86,238,763)**	**(₱487,919,538)**	**₱37,679,379,140**
Acquisition of treasury shares	-	-	-	-	-	(251,607,140)	(251,607,140)
Comprehensive income							
Net income	-	-	12,025,381,058	-	-	-	12,025,381,058
Other comprehensive income	-	-	-	-	50,242,941	-	50,242,941
Total comprehensive income	-	-	12,025,381,058	-	50,242,941	-	12,075,623,999
Cash dividends declared (Note 18)	-	-	(9,570,709,395)	-	-	-	(9,570,709,395)
Balances as of December 31, 2018	₱4,264,609,290	₱6,675,527,411	₱20,468,072,403	₱9,300,000,000	(₱35,995,822)	(₱739,526,678)	₱39,932,686,604

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flow

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,419,347,169**	₱9,383,665,125	₱12,754,882,016
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 12, 21 and 22)	**6,280,597,948**	6,923,044,039	7,784,475,344
Finance costs (Note 23)	**1,094,820,551**	1,316,867,512	942,934,975
Provision for impairment losses (Notes 10 and 22)	**157,196,754**	166,474,665	-
Pension expense, net of contributions (Note 20)	**70,889,130**	692,535	60,980,688
Net unrealized foreign exchange gains (losses)	**68,737,670**	139,226,570	(53,699,447)
Equity in net earnings of joint venture (Note 8)	**(306,874)**	(690,954)	(380,459)
Gain on sale of equipment (Notes 10 and 25)	**(67,002,889)**	(12,000,005)	(22,683,458)
Finance income (Note 24)	**(45,872,940)**	(282,983,032)	(129,168,367)
Unrealized loss (gain) on financial asset at FVPL (Note 6)	**-**	245,443,777	(25,775,773)
Provision for decommissioning and site rehabilitation (Note 21)	**-**	-	436,522,946
Operating income before changes in operating assets and liabilities	**10,978,406,519**	17,879,740,232	21,748,088,465
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(47,706,197)**	3,513,775,127	(825,846,621)
Other current assets	**479,486,872**	2,666,679,312	(2,033,777,003)
Inventories	**(221,480,470)**	2,769,576,176	(5,557,602,875)
Decrease in trade and other payables	**(312,307,323)**	(1,486,026,563)	(780,257,360)
Decrease in provision for decommissioning and site rehabilitation costs	**-**	(14,543,926)	(1,598,420,875)
Cash generated from operations	**10,876,399,401**	25,329,200,358	10,952,183,731
Interest received (Note 24)	**75,968,005**	282,983,032	129,168,367
Income taxes paid	**(78,615,783)**	(193,027,854)	(729,088,556)
Interest paid	**(1,043,688,003)**	(1,270,024,784)	(841,687,302)
Pension settlement (Note 20)	**(13,348,477)**	(11,071,731)	(7,417,414)
Net cash provided by operating activities	**₱9,816,715,143**	₱24,138,059,021	₱9,503,158,826

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 10 and 32)	**(₱5,483,531,298)**	(₱11,634,346,801)	(₱9,528,471,843)
Computer software (Note 12)	**(4,562,479)**	(10,326,053)	(10,640,402)
Investment in a joint venture (Note 8)	**(56,500,000)**	-	-
Proceeds from sale of equipment (Note 10)	**546,586,932**	12,000,005	158,610,324
Decrease (increase) in other noncurrent assets (Notes 11 and 12)	**(818,116,520)**	(742,661,592)	808,263,986
Net cash used in investing activities	**(4,179,890,325)**	(12,375,334,441)	(8,572,237,935)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Notes 13, 14 and 32)	**4,980,000,000**	47,494,250,000	7,859,848,705
Payments of:			
Loans (Notes 13, 14 and 32)	**(3,702,514,285)**	(49,417,912,229)	(5,526,691,188)
Principal portion of lease liabilities (Notes 11, 30 and 31)	**(5,245,912)**	(10,868,143)	-
Dividends (Notes 18 and 32)	**(5,313,211,592)**	(5,313,293,707)	(9,571,357,480)
Acquisition of treasury shares (Notes 17 and 32)	**-**	-	(251,607,140)
Net cash used in financing activities	**(4,040,971,789)**	(7,247,824,079)	(7,489,807,103)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31,651,757**	39,232,685	(9,070,942)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,627,504,787**	4,554,133,186	(6,567,957,154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,457,084,709**	1,902,951,523	8,470,908,677
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱8,084,589,496**	₱6,457,084,709	₱1,902,951,523

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

http://www.semiraramining.com/uploads/files/AFS/SMPCS_CFS1220.pdf

GRI Content Index 102-55

Standard	Disclosure	Page Number and/or direct answer	Omission
GRI 101: FOUNDATION 2016			
GRI 102: General Disclosures 2016			
Organizational Profile			
GRI 102-1	Name of the organization	4	
GRI 102-2	Activities, brands, products, and services	4	
GRI 102-3	Location of headquarters	2	
GRI 102-4	Location of operations	9	
GRI 102-5	Ownership and legal form	9	
GRI 102-6	Markets served	4, 7	
GRI 102-7	Scale of the organization	7	
GRI 102-8	Information on employees and other workers	69	
GRI 102-9	Supply chain	67	
GRI 102-10	Significant changes to the organization and its supply chain		No changes to our supply chain in 2020.
GRI 102-11	Precautionary Principle or approach	44	
GRI 102-12	External initiatives	34	
GRI 102-13	Membership of associations	34, 90, 102	
Strategy			
GRI 102-14	Statement from senior decision-maker	10-13, 14- 17	
GRI 102-15	Key impacts, risks, and opportunities	122-123	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	5	
Governance			
GRI 102-18	Governance structure	105	
GRI 102-22	Composition of the highest governance body and its committees	108, 111	
GRI 102-23	Chair of the highest governance body	13, 130	
GRI 102-24	Nominating and selecting the highest governance body	109	
GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	106	
GRI 102-27	Collective knowledge of highest governance body	110	
GRI 102-28	Evaluating the highest governance body's performance	110	
GRI 102-35	Remuneration policies	110	
GRI 102-36	Process for determining remuneration	110	
GRI 102-37	Stakeholders' involvement in remuneration	110	
GRI 102-38	Annual total compensation ratio	110	
GRI 102-39	Percentage increase in annual total compensation ratio	110	

Standard	Disclosure	Page Number and/or direct answer	Omission
GRI 101: FOUNDATION 2016			
GRI 102: General Disclosures 2016			
Reporting Practice			
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	20	
GRI 102-40	List of stakeholder groups	19	
GRI 102-41	Collective bargaining agreements	80	
GRI 102-42	Identifying and selecting stakeholders	19	
GRI 102-43	Approach to stakeholder engagement	19	
GRI 102-44	Key topics and concerns raised	20-21	
GRI 102-45	Entities included in the consolidated financial statements	9	
GRI 102-46	Defining report content and topic Boundaries	2	
GRI 102-47	List of material topics	20-21	
GRI 102-48	Restatements of information	26, 50, 52, 53, 67	
GRI 102-49	Changes in reporting	2	
GRI 102-50	Reporting period	2	
GRI 102-51	Date of most recent report	2	
GRI 102-52	Reporting cycle	2	
GRI 102-53	Contact point for questions regarding the report	2	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	2	
GRI 102-55	GRI content index	152-155	
GRI 102-56	External assurance	None.	

GRI Standard	Disclosure Number	Disclosure Title	Page Number	Direct Answer/State of Omission
GRI 200: Economic Standards Series 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	34, 39	
	103-2	The management approach and its components	34, 38-40	
	103-3	Evaluation of the management approach	34, 39	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	26	
	201-2	Financial implications and other risks and opportunities due to climate change	43-47	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	39	
	202-2	Proportion of senior management hired from the local community	39	
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	36, 37, 98-99	
	203-2	Significant indirect economic impacts	38-41, 95-99	

GRI Standard	Disclosure Number	Disclosure Title	Page Number	Direct Answer/ State of Omission
GRI 300: Environmental Standards Series 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	48, 51, 54, 56, 57, 60, 61, 67	
	103-2	The management approach and its components	48, 49, 50, 51, 52, 54, 56, 57, 60, 61, 67	
	103-3	Evaluation of the management approach	48, 49, 51, 52, 54, 56, 57, 60, 61, 67	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	56	
GRI 301: Energy 2016	302-1	Energy consumption within the organization	48	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	51	
	303-2	Management of water discharge related impacts	52	
	303-3	Water withdrawal	51, 52	
	303-4	Water discharge	53	
	303-5	Water consumption	53	
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	60,66	
	304-2	Significant impacts of activities, products, and services on biodiversity	60, 61	
	304-3	Habitats protected or restored	60	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	60, 62, 65	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	50	
	305-2	Energy indirect (Scope 2) GHG emissions	50	
	305-4	GHG emissions intensity	50	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	57	
	306-4	Transport of hazardous waste	57	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	67	
GRI 400: Social Standards Series 2016				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	68, 75, 85, 95	
	103-2	The management approach and its components	68, 71, 75, 85, 95	
	103-3	Evaluation of the management approach	72, 75, 85	

GRI Standard	Disclosure Number	Disclosure Title	Page Number	Direct Answer/State of Omission
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	71, 72, 73	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	74	
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	80	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	85	
	403-2	Hazard identification, risk assessment, and incident investigation	85	
	403-3	Occupational health services	85	
	403-4	Worker participation, consultation, and communication on occupational health and safety	86	
	403-5	Worker training on occupational health and safety	89	
	403-6	Promotion of worker health	81, 88	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	92	
	403-9	Work-related injuries	92, 93	
	403-10	Work-related ill health	87	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	76	
	404-2	Programs for upgrading employee skills and transition assistance programs	75, 77, 79	
	404-3	Percentage of employees receiving regular performance and career development reviews	75	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	69, 70, 109	
	405-2	Ratio of basic salary and remuneration of women to men	74	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		None.
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	95, 102	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	93	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		None.
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	103	

Writing and Design:
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SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex B
Corporate Governance Disclosures
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1. **Board of Directors' Responsibility for Internal Controls and Risk Management Systems**

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROLS & RISK MANAGEMENT SYSTEMS

The Board of Directors ("Board") of SEMIRARA MINING AND POWER CORPORATION is responsible for the internal controls and risk management systems. The Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

March 3, 2021

Isidro A. Consunji
Chairman and Chief Executive Officer

Antonio Jose U. Periquet, Jr.
Audit Committee Chairperson

Rogelio M. Murga
Risk Committee Chairperson

2. 2020 Attestation of Internal Control and Compliance System

SEMIRARA MINING & POWER CORPORATION

2020 ATTESTATION OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

Semirara Mining and Power Corporation's (SMPC) corporate governance system includes a combination of internal and external mechanisms such as the structure of the board of directors and our committees, the oversight it exercises over management, and the sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanisms and risk management process;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with laws, rules and regulations;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external financial auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Corporation's internal controls;
- The Chief Audit Executive reports functionally to the Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above and the assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that SMPC's system of internal controls, risk management, compliance and governance processes are adequate.

ISIDRO A. CONSUNJI
Chairman and Chief Executive Officer

MARIA CRISTINA C. GOTIANUN
President, Chief Operating Officer and Chief Risk Officer

NENA D. ARENAS
Vice President, Chief Governance Officer and Compliance Officer

CARLA CRISTINA T. LEVINA
Vice President, Chief Audit Executive

3. Audit Committee Annual Report to the Board of Directors 2020

SEMIRARA MINING AND POWER CORPORATION

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2020

The Audit Committee ("Committee") assists the Board of Directors ("Board") in fulfilling oversight of the following matters consistent with its Board-approved Audit Committee Charter:

(1) Internal control environment,
(2) financial reporting process and integrity of the financial statements including disclosures,
(3) external audit function,
(4) internal audit function, and
(5) compliance with reporting, legal and regulatory requirements.

In 2020, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of four (4) Board members, three (3) of whom are Independent Directors and one (1) Non-Executive Director.

2. The Chairman of the Audit Committee is an Independent Director.

3. The Committee had five (5) full Committee meetings on January 27, February 26, May 5, August 4, and October 27, 2020, which included a private session (without management) with the external audit SGV Partner on February 26, 2020.

4. Recommended to the Board the reappointment of SGV & Co. as external auditor in 2020 based on SGV's performance, independence, qualifications and with due regard of Management's feedback.

5. Discussed with SGV Partner Dhonabee Seneres in a private session without the presence of Management, the audit areas of emphasis, related party transactions, and fraud, if any.

6. Reviewed and approved SGV's 2020 SGV engagement plan, scope, and fees.

7. Discussed with SGV and Management significant financial reporting issues, audit observations, audit engagement plan and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting.

8. Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries as of and for the year ended December 31, 2020, ensuring that financial statements are in accordance with the required accounting and reporting standards

9. Reviewed, deliberated and resolved the significant accounting policies and estimates affecting the financial statements.

10. Reviewed significant related party transactions (RPT) are conducted at arms-length and meet the guidelines of the RPT Policy, Material RPT Policy and thresholds per Securities and Exchange Commission (SEC) rules and regulations.

11. Discussed with Internal Audit (IA) in a private session the assurance results with emphasis on the results of the analytics reviews and fraud risk matters.

12. Reviewed and discussed IA's 2019 annual report and results of assurance engagement work done during the period.

13. Reviewed and approved IA's 2020 risk-based Annual Plan for SMPC Group, work activity, budget and resources including subsequent revisions.

14. Reviewed IA's assurance work activities and monitoring of management action plans.

15. Conducted evaluation of the internal audit function and the Chief Audit Executive's performance for improvement and effectiveness; and noted the 2019 Attestation of Internal Controls and Compliance and IA's 2020 Organizational Confirmation Independence.

16. Reviewed the adequacy and effectiveness of the internal controls and risk management system based on reports provided internal and external auditors, and from Management's assessment of internal controls.

17. Exercised oversight and review of Management's governance and compliance issues and updates with potential financial impact.

18. Conducted a self-assessment of the Committee's performance based on SEC's Guidelines on Audit Committee's effectiveness and disclosed such assessment results.

19. The Committee Chairman and members attended the virtual Annual Stockholders' Meeting on July 3, 2020.

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2020 in the Company's Annual Report to the Shareholders and for filing with the Securities and Exchange Commission.

March 3, 2021

Antonio U. Periquet, Jr.
Chairman, Audit Committee

4. Risk Committee Annual Report to the Board of Directors 2020

SEMIRARA MINING AND POWER CORPORATION

RISK COMMITTEE
ANNUAL REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2020

The Risk Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the risk management functions as defined in its Board-approved Risk Committee Charter.

Members
The Committee, chaired by an Independent Director, is comprised of three (3) Board members, two (2) of whom are Independent Directors.

Meetings
The Committee held one (1) meeting on September 9, 2020, and one (1) joint meeting held with the Corporate Governance Committee on November 23, 2020.

Risk Committee

Rogelio M. Murga
Chairperson
Independent Director

Honorio O. Reyes-Lao
Member, Independent Director

Isidro A. Consunji
Member, Executive Director

Work Done and Issues Addressed:

In 2020, the Committee accomplished the following in compliance with its Charter:

1. Exercised oversight of the risk management, treatment and effectiveness of mitigation of SMPC Group's strategic and top business risks, i.e., mining and power operations, safety, regulatory, market, life extension program, project management, supply chain, talent development and succession management.
2. Reviewed and discussed the associated risks to significant events i.e., Taal Volcano eruption and COVID-19 pandemic, and the Management's risk mitigation actions.
3. Reviewed and discussed the opportunities and risks in the coal and power markets.
4. Reviewed the Company's climate action management approach and other climate-risk mitigation initiatives to align with the Task Force on Climate-related Financial Disclosure (TCFD).
5. Reviewed the Risk Committee Charter for continual improvement and effectiveness.

Based on the reviews and discussions referred to above, and subject to the limitation of the Committee's roles and responsibilities, the Risk Committee has performed its oversight duties in accordance with its Charter.

March 3, 2021

Rogelio M. Murga
Chairman, Risk Committee

5. Corporate Governance Committee Annual Report to the Board of Directors 2020

SEMIRARA MINING AND POWER CORPORATION

CORPORATE GOVERNANCE COMMITTEE
ANNUAL REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2020

The Corporate Governance Committee ("Committee") assists the Board of Directors ("Board") in fulfilling its responsibilities to the Board's corporate governance responsibilities, director remuneration, and organizational development and compensation benefits of the Company's employees. The Committee's roles and responsibilities are guided by a Board-approved Corporate Governance Committee Charter.

Members
The Committee, chaired by an Independent Director, is comprised of three (3) members of the Board, two of whom are Independent Directors.

Meetings
During the period, the Committee held three (3) meetings, including one meeting jointly held with the Risk Committee with a quorum on November 23, 2020. Meetings were presided by the Committee Chairperson and attended by the senior management, Chief Governance Officer, Legal, and Human Resources and Organizational Development officers.

Corporate Governance Committee

Honorio O. Reyes-Lao
Chairperson
Independent Director

Rogelio M. Murga
Member, Lead Director

Maria Cristina C. Gotianun
Member, Executive Director

Work Done and Issues Addressed:

In 2020, the Committee reviewed and discussed the following:

Nomination and Selection

- Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of the Board nominees for directorship as stated in the Amended By-Laws, Manual on Corporate Governance and pertinent SEC rules and ensured that they met the requisite qualifications by taking into account their experiences, knowledge and expertise meet the needs of the Board and are aligned to SMPC Group's strategy.

Succession Planning and Leadership

- Reviewed and discussed with senior management the talent and development, succession management and organizational development including competitive salary and performance incentives review.
- Reviewed and discussed with senior management key management position movement.

- Reviewed the quality of Directors aligned with the SMPC's strategic directions and the specific skills or expertise that they should possess to achieve the Company's strategy, and ensured that these skills are being met.
- Approved the nomination for directorship of the candidates, all being qualified for election at the Company's Annual Stockholders' Meeting.

Governance

- Exercised oversight of the company's corporate governance practices and ranking score on the ASEAN Corporate Governance Scorecard Philippine results 2019 including areas for improvement.

Board Performance and Development

- Exercised oversight of the continuing professional development of the Board of Directors and key officers through leadership programs, affiliation with or membership in professional organizations, and participation in corporate governance and sustainability summit, seminars and conference, among others.
- Engaged a third-party facilitator to conduct the annual evaluation of the full Board, Board Committees, and individual Director performance and reviewed the results thereof, for continual improvement and Board effectiveness.

Board and Executive Remuneration

- Reviewed Board remuneration
- Reviewed with Management the organization's performance management system.

CEO Performance Appraisal

- Reviewed the results of the Board's evaluation of the CEO's performance in 2019 based on the Board-approved Balanced Scorecard and key result areas.

As a result of its works during the year, the Corporate Governance Committee has acted in accordance with its Board-approved Charter.

March 3, 2021

Honorio O. Reyes-Lao
Chairman, Corporate Governance Committee

6. Shareholdings and Trades of Directors 2020

DIRECTORS AND SENIOR MANAGEMENT	Number of Shares As of Jan. 1, 2020	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec. 31, 2020
Directors					
Isidro A. Consunji Executive Director, Chief Executive Officer	24,144 4,679,672	- 19,756,598	- -	Direct Indirect	24,144 24,436,270
Jorge A. Consunji Non-Executive Director	500,144 2,354,956	- 2,820,748	- -	Direct Indirect	500,144 5,175,704
Herbert M. Consunji Non-Executive Director	134,120 -	-	- -	Direct Indirect	- -
Cesar A. Buenaventura Non-Executive Director	72,120 -	- -	- -	Direct Indirect	72,120 -
Josefa Consuelo C. Reyes Non-Executive Director	412,400 1,913,600	- 3,760,998	- -	Direct Indirect	412,400 5,674,598
Maria Cristina C. Gotianun Executive Director, President and Chief Operating Officer	1,428 12,083,789	- 8,413,148	- -	Direct Indirect	1,428 20,496,937
Ma. Edwina C. Laperal Non-Executive Director	4,188 8,811,084	- 3,760,999	- -	Direct Indirect	4,188 12,572,083
Luz Consuelo A. Consunji Non-Executive Director	45,040 -	- -	- -	Direct Indirect	45,040 -
Rogelio M. Murga Independent Director	40,040 -	- -	- -	Direct Indirect	40,040 -
Honorio O. Reyes-Lao - Independent Director	1,236,040 562,480	92,000 -	- -	Direct Indirect	1,328,040 562,480
Antonio Jose U. Periquet, Jr. Independent Director	- 4,333,000	- -	- -	Direct Indirect	- 4,333,000
Key Officers					
John R. Sadullo VP-Legal & Corporate Secretary	- -	- -	- -	Direct Indirect	- -
Junalina S. Tabor VP & CFO	- -	- -	- -	Direct Indirect	- -
Jaime B. Garcia* VP-Procurement & Logistics	1,943,768 -	485,500 -	- -	Direct Indirect	2,429,268
Nena D. Arenas	16,000 -	- -	- -	Direct Indirect	16,000 -

VP, Chief Governance Officer & Compliance Officer					
Antonio R. De Los Santos* VP, Treasury	110,000 -	- -	- -	Direct Indirect	110,000 -
Jose Anthony T. Villanueva VP, Marketing for Coal	3,000 55,560	- -	- -	Direct Indirect	3,000 55,560
Ruben P. Lozada VP, Mining Operations & Resident Manager	475,200 -	- -	- -	Direct Indirect	475,200 -
Andreo O. Estrellado VP, Power Market & Commercial Operations	- -	- -	- -	Direct Indirect	- -
Carla Cristina T. Levina VP, Chief Audit Executive	- -	- -	- -	Direct Indirect	- -
Jojo L. Tandoc VP, Human Resources & Organizational Development	400 -	- -	- -	Direct Indirect	400 -
Karmine Andrea B. San Juan AVP, Corporate Planning Power	120 -	- -	- -	Direct Indirect	120 -

**Retired effective December 31, 2020.*

7. Related Party Transactions 2020

SMPC's actual related party transactions in 2020 were approved and conducted in arm's length term and within the threshold defined in our Material Related Party Transaction Policy, which is 10% or higher of the Company's consolidated asset based on its latest audited financial statements.

In Million PhP

PARENT/SUBSIDIARIES /AFFILIATES	Coal & Freight	Sales of Energy	Rentals	Coal Handling	Drilling & Exploration	Logistics	Aviation	Operations & Management	Construction & Equipment	Total
Within the Group:										
Sem-Calaca Power Corporation	3,431.36	-	-	-	-	-	-	-	-	**3,431.36**
Southwest Luzon Power Generation Corporation	711.08	-	-	-	-	-	-	-	-	**711.08**
SEM-Calaca RES Corporation	-	100.79		-	-	-	-	-	-	**100.79**
With Affiliates:										
DMC Construction Equipment Resources, Inc.	(476.30)	-	(0.05)	(91.46)	(9.82)	(128.03)	-	(230.98)	-	**(936.64)**
DM Consunji, Inc.		-		-	-	-	-	-	(197.44)	**(197.44)**
DMCI Power Corporation	-	-	-	-	-	-	-	(243.00)	-	**(243.00)**
Royal Start Aviation	-	-	(14.76)	-	-	-	(26.24)	(42.96)	-	**(83.96)**
DMC - Urban Property Developers Inc.	-	-	(1.43)	-	-	-	-	-	-	**(1.43)**
DMCI Masbate Power Corporation	41.27	-	-	-	-	-	-	-	-	**41.27**
Asia Industries, Inc.	-	-	(11.90)	-	-	-	-	-	-	**(11.90)**