The condition of the coal industry in 2013 was, overall, still less than conducive, characterized by falling average prices for coal as a result of weak global demand. As a result, ITM strove to achieve measured operational efficiencies to maintain profit margins in the midst of falling average product prices in the global market. As a result, the reduction in ITM's income was held to approximately 11%. The fall in net profit was also able to be held at approximately 47%.

ITM also made more intensive use of its Human Resources' competencies in the process of improving operational support equipment and intensified the use of domestically produced components of an equivalent quality, with the guarantee of continued availability. Through these methods, the Company strove to maintain the profit margin per ton of coal sold.

ECONOMIC VALUE DISTRIBUTION

During the reporting period, the Company's economic performance results that illustrate the economic value acquired and distributed to stakeholders can be seen in the Economic Performance Overview table below. This table refers to economic performance indicators based on the GRI G4 sustainability reporting guidelines.

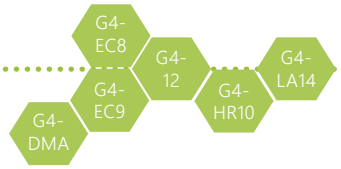
Economic Value Distribution Overview (Expressed in Thousand US Dollars)

Description	2013	2012	Change (%)
Economic Value Generated			
Revenue	2,178,763	2,438,941	(11)
Interest Income from Bank and Deposits	8,847	13,943	(37)
Net Profit from Associated Companies	-	-	
Gain from Forex Differencial	(22,432)	(10,827)	107
Other Incomes	(2,942)	29,555	(110)
Total Economic Value Generated	**2,162,236**	**2,471,612**	**(13)**
Economic Value Distributed			
Operating Costs	1,489,098	1,567,851	(5)
Employees Salary dan Benefit			
• Employees - General and Administrative	30,882	31,254	(1)
• Employees - Selling	14,031	15,977	(12)
Total Employee's Salary and Other Benefit	**44,913**	**47,231**	**(5)**
Payment for Funds Provider			
• Dividend (Shareholders)	269,046	504,967	(47)
• Interest (Creditors)	-	-	
Total Payment for Funds Provider	**269,046**	**504,967**	(47)
Expenses for Government Obligation (Tax, Royalties, Etc)	356,422	464,329	(23)
Community Development Expenses	2,208	1,979	12
Total Economic Value Distributed	**2,161,687**	**2,586,357**	**(16)**
Economic Value Retained Excluding Dividend Paid	**269,595**	**390,222**	**(31)**
Economic Value Retained	**549**	**(114,745)**	**0**

This economic distribution table illustrates that ITM's performance not only improves the welfare of the shareholders, but also has a positive influence on the stakeholders. More detailed information on the Company's financial performance can be seen in the ITM 2013 Annual Report.

CONTRIBUTION TO THE STATE

Every year, the Company makes a contribution to the state in the form of taxes, royalties (exploitation fees), retribution, and import duties. The total tax paid to the state in 2013 amounted to US$90.5 million, down from the tax payment in 2012 of US$159.1 million. Royalties (exploitation fees) in 2013 reached a total US$266.0 million, down 13% from the US$305.3 million in 2012. These reductions resulted from the decreased in average sales price.



Total contributions paid by the Company to the state in the reporting year amounted to US$356.4 million, a reduction of 23% from the contribution of US$464.3 million in 2012.

In addition to contributing financially, the Company also made material contributions in the form of facility and infrastructure construction.

1. Construction of a meeting hall in Danau Redan village and a Village Office in Sukarahmat village in East Kutai.
2. Construction of roads for Penarong, Empas, Lotaq and Jengan Danum villages (West Kutai), as well as roads for Separi, Kertabuana, Embalut and Bangun Rejo villages (Kutai Kertanegara).
3. Finally, construction of a bridge in Payang village (West Kutai).

Notwithstanding its reasonably significant contributions to the state, in executing its operations, ITM did not receive any financial aid from the government.

CONTRIBUTIONS TO REGIONAL ECONOMIC GROWTH

Opening up an area for mining will automatically cause the regional economy to grow. Operational activities contribute indirectly in the form of absorbing local labor in the operational area. The employment of local people is both directly by ITM, as well as by ITM's business partners, who are our suppliers and mining partners. With the increased level of local employment, the quality of life of the local community is also increased.

In addition to the direct and indirect impact on the local economy resulting from operations, we also contribute through the payment of motor vehicle taxes on our fleet of operational vehicles for the region. This means the Company is contributing directly to directly generated regional income (PAD).

RELATIONSHIP WITH SUPPLIERS

The Company realizes the importance of the existence of parties that act as suppliers to operational sustainability. Positive interaction between the Company and its suppliers has a positive effect on the company's performance. Therefore, our work partners/suppliers are part of the chain of business operations. For suppliers to satisfy the need for goods/services, ITM applies a basic principle for procurement that is efficient, effective, open and competitive, transparent, non-discriminative and accountable. This is to achieve targets determined according to defined times that can be accounted for.

There are approximately 12 mining contractors, both large and small, interacting with ITM's operations at this time. We apply the principle of professionalism in our working relationships with all these mining contractors. The performance of mining contractors at ITM mine sites is monitored using CMS (Contractor Management System). CMS is a performance-focused system implemented in all ITM mine locations with the purpose of managing mine contractors consistently and comprehensively. CMS assists with achieving the Company's business goals in a commercial, technical, quality and environmental, as well as occupational health and safety aspect.

The main purpose of CMS is to improve the management practices of the ITM mine contractors with the aim of optimizing results for the Company, as well as the contractors. This, of course, starts with good mine budgeting and planning, the study of risks and mitigating factors, clear scope of work and a tight mechanism to select contractors. This is followed by continual monitoring and support for the contractors throughout the contract period, until the end of their respective contracts.

As part of its efforts to empower the local economies, the Company provides the opportunity to local small businesses and cooperatives, including competent fostered partners, to work in certain service sectors. Several non-operational jobs are handled by local suppliers, for example, catering, supplying seedlings for regreening and bokashi fertilizer supply. Overall, the value of the work contracts amounts to Rp100 million and is prioritized for local partners in the Company's main operational area.

3 PRESERVING THE ENVIRONMENT FOR SUSTAINABILITY

Extreme weather triggers a variety of natural disasters such as floods, landslides, hot air temperatures that spark widespread forest fires in various hemispheres, as well as other forms of disasters. This fact has begun to highlight the serious problems facing the environment. Naturally, if there is subsequent climate change as a cause of extreme weather, this becomes an environmental issue that demands world attention.

Various discussions have been undertaken to look for the best ways to mitigate climate change. These discussions have led to a common awareness that human activity, which is a primary source of climate change, should be carried out in accordance with environmentally-friendly principles, especially in relation to energy use. This collective awareness among the global community may then be realised in a number of mitigation activities that in essence form efforts to preserve environmental conditions as part of sustaining the earth as well as all the forms of life dependent upon it.

With increasing awareness among the world community of the dangers of climate change, every activity that is considered to have a significant impact upon the continuity of the environment attracts greater attention, particularly from concerned parties. Attention is directed towards efforts to minimise the impact of these activities upon the surrounding environment.

ENVIRONMENTAL IMPACT OF MINING

Open coal-mining operations involve a process of changing the landscape. Coal mining operations that employ an open-pit method are preceeded by clearing the land, then stripping the soil cover to mine the seams of coal beneath the layer of overburden. Thereafter, the coal is shipped using transportation on land, river or sea to reach the end users, the majority of which are steam power plants.

During the land-clearing stage, the entire population in the area who run farms, cultivate fields and plantations or other traditional livelihood activities, must be moved (relocated). Various crops and shrubs must also be removed or replanted in other areas.

The whole chain of coal mining activities are perceived to contribute toward global warming which lead to increased frequency of weather anomaly such as extreme weather event.

As one of the coal mining companies in Indonesia affiliated with a holding company that also undertakes activities relating to the supply of energy resources in several countries, PT Indo Tambangraya Megah Tbk (ITM) always runs operations that are environmentally-friendly. We are committed to making ITM a mining company that has a genuinely positive impact upon environmental conservation efforts by running a number of programs on environmental management and conducting mining operations that have a minimal impact upon the environment.

Therefore, every step of our field operations is carried out with due attention to the items contained within the Environmental Impact Assessment (EIA), Environmental Management Program (UKL) and Environmental Monitoring Plan (UPL), which are drawn up in accordance with the mandate laid out in Environment Law No. 32/2009 on Environmental Protection and Management. We also present the operational steps that are pursuant to these regulations to all stakeholders. The entire process of planning, mining, closure and rehabilitation, following the accompanying impact, goes into these documents, which then become a reference for our operational activities.

COMMITMENT, POLICY AND OBJECTIVES

ITM commitment toward protection of the environment is contained in Environmental Policy, which stated that: "In performing operational activities, ITM will work based on following principle:

- Prevent, minimize, and manage its environmental impact.
- Follow the relevant environmental regulations.
- Pursue conservation of the environment through sustainable policies".

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As a form of our commitment to conserving the environment, we have implemented a series of programs with respect to our basic policy, including:

- The implementation of energy-saving operations.
- The restoration of biodiversity through revegetation.
- The preparation of independent mine closure communities.

ACCREDITED ENVIRONMENTAL MANAGEMENT STANDARDS

As proof of our commitment to conducting quality environmental management, we run an accredited Environmental Management System **ISO 14001:2004**. Its aim is to improve the effectiveness of environmental management activities, which include environmental management systems, environmental auditing, environmental performance evaluations and principal life-cycle assessments.

We also implement other accredited management systems in our operational activities, comprising Quality Management System (QMS) ISO 9001:2008 and Occupational Hazard and Health Management System (K3) OHSAS 18001:2007. Up to the end of 2013, the company has accomplished several management system certifications, such as:

PT Indominco Mandiri:

- ISO 9001:2008 for Bontang Coal Mining Operation, certified since 29th October 2003.
- OHSAS 18001:2007 for Bontang Coal Mining Operation, certified since 19th October 2004.
- ISO 14001:2004 for Bontang Coal Mining Operation, certified since 8th November 2004.

PT. Kitadin (Tandung Mayang):

- ISO 9001:2008 for Mining Contractor, certified since 2nd December 2005.
- OHSAS 18001:2007 for Provision of Coal Mining Operation, certified since 8th January 2013.
- ISO 14001:2004 for Provision of Coal Mining Operation, certified since 8th January 2013.

PT. Jorong Barutama Greston has received ISO 9001:2008 certification for Coal Mining Operation, certified since 20th February 2008.

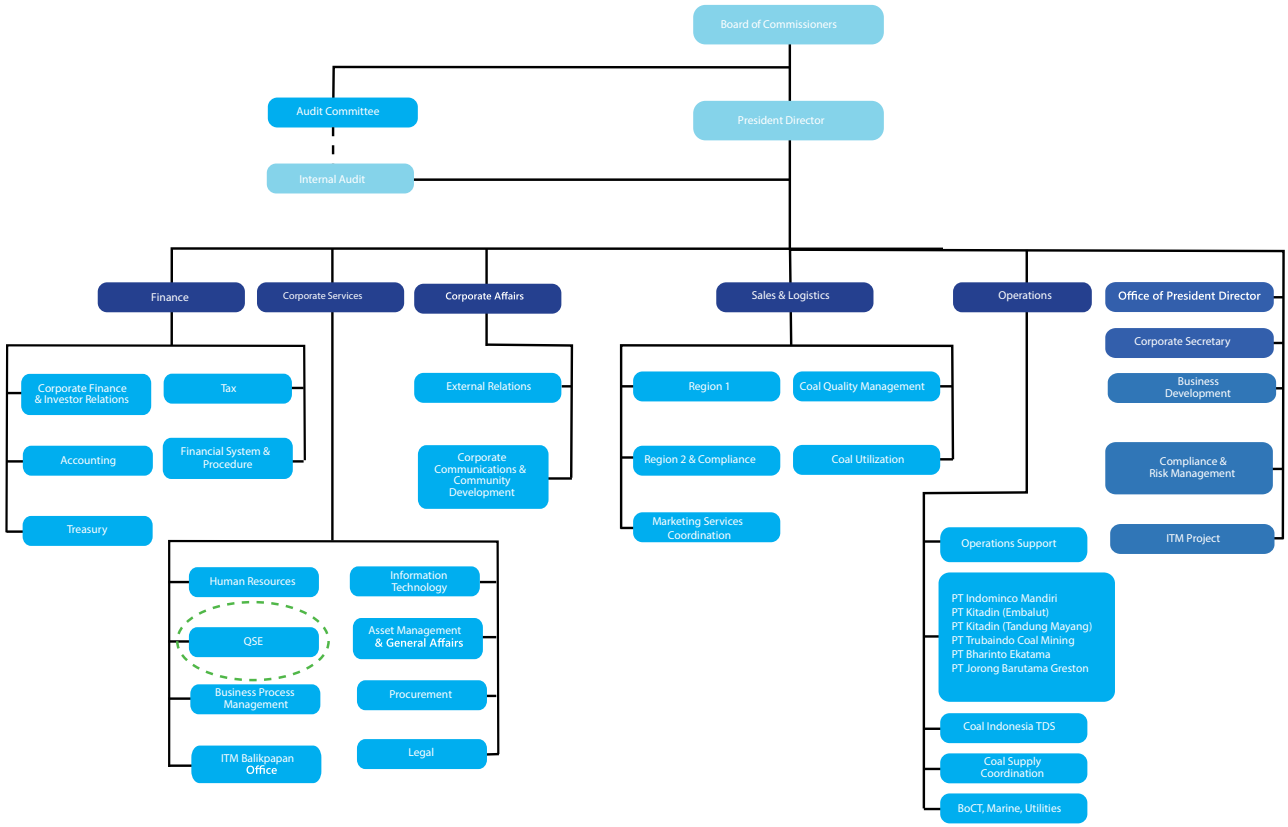
PT. Trubaindo Coal Mining has received ISO 9001:2008 certification for Coal Mining Operation, certified since 18th July 2003.

In accordance with the certified environmental management system, we design and carry out a number of environmental programs that are generally divided into two main areas, Environmental Management and Environmental Monitoring. We measure the success of each program via its compliance with a series of parameters contained in Environmental Quality Standards (EQS) in accordance with applicable local and central government regulations or accreditation standards. The measuring of these parameters is carried out by independent, competent parties.

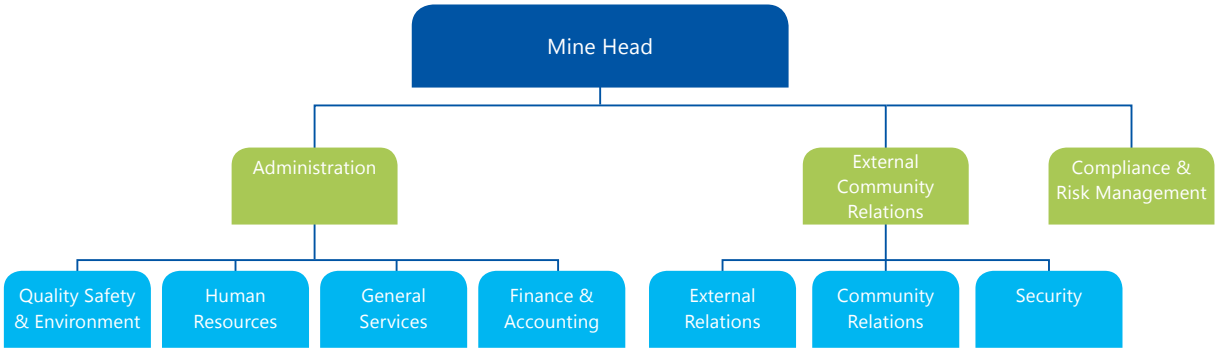
ENVIRONMENTAL ORGANISATION STRUCTURE

We have established a Department for Quality, Safety and Environment (QSE) as an internal body, which is structurally responsible for coordination and monitoring compliance with safety, health and environmental standards. In carrying out operational activities, each business unit formulates and implements work programs in the environmental field that are appropriate to the real conditions encountered on the ground. Nevertheless, all these work units need to constantly coordinate and discuss the programs they intend to run with the QSE Department. The QSE Department then assesses compliance against the applicable regulations. In order to ensure that the formulation and implementation of each program is carried out both effectively and efficiently, the QSE Department places a representative in each work unit.

ITM ORGANIZATION STRUCTURE



ENVIRONMENT ORGANIZATION CHART



ENVIRONMENTAL FIELD TRAINING

To improve knowledge and skills throughout the entire range of operations in the field of environmental management, we have developed an environmental training program that is carried out both in-house as well as by sending employees to attend external training.

The topic conducted on in house training included: Mine Rehabilitation and Basic Acid Mine Drainage (AMD) with 32 participants in 2013. Meanwhile, we sent 15 employees to attend training on the following issues: Discussion of regulations and preparation of a technical draft for the rehabilitation of watersheds, Mine closure planning, Management and supervision of acid mine drainage, Energy audits and the formulation of energy-saving programs, Implementation and reporting of the EIA and UKL-UPL, Mine closures, Technical briefing on the application, monitoring and evaluation of forest reclamation, Mode sampling training on the environment and waste water, Management of hazardous and toxic waste products and mine drainage systems.

SUPPLYING AND MONITORING LAND

In order to fulfil our land-supply program, we always base the process on the clarity of identification documents, followed by an area evaluation according to the plan map for mining operations. If an area is not yet in our region of control, we carry out a process of land acquisition in accordance with applicable laws and regulations, including provisions listed in the Mining Permit (IUP) for the region.

We carry out land acquisition by applying the principle of a consensus agreement in accordance with standard operating procedures (SOPs) governing the acquisition of land. Our goal is to obtain a value for profit agreement that is acceptable to both sides. Paying compensation for land and lost crops belonging to local communities is carried out by involving local officials at the hamlet, village and subdistrict levels. We also involve local village heads in the process. This is done so as to avoid future land conflicts with local communities. All the stages that we go through are recorded in extensive documentation. By employing a mechanism that can be received and documented, there is no danger of land disputes being triggered with local populations relating to land acquisitions.

If during the land acquisition process, it is necessary to resettle or relocate an entire population to another region, we always ensure that the process is conducted well and that we have paid thorough attention to the rights of the local residents as well as, of course, thoroughly preparing the relocation area. Meeting the provisions on the sterilization of managed areas from a residential area located near a mining site is our main concern when carrying out relocations.

In the past few years, we have conducted relocations in mining areas, which came under the management PT PETI.

Realization of Land Clearing and Reclamation

Land clearing plan was realized in 2013 on 1.555,88 Ha of mining concession area of ITM subsidiaries (PT. Indominco Mandiri, PT. Trubaindo Coal Mining, PT. Jorong Barutama Greston, PT. Bharinto Ekatama, PT. Kitadin Tandung Mayang, and PT. Kitadin Embalut). The land clearing process was done in several stages which are the stripping of topsoil layer, the stripping of overburden, and followed by the excavation of coal material. The topsoil stripped would be piled on selected areas or disseminated on areas which are ready for the planting process. In the area where mining operation has been finished, we closed the quarry pit by piling overburden using backfilling method, adding pile of ground cover, and subsequently carry out the process of rehabilitation and revegetation. In 2013, 903,29 Ha area has been revegetated where 465.521 plants was planted and the growth percentage of native plants reached 79%.

Summary of Land Clearing and Reclamation Activities in 2013

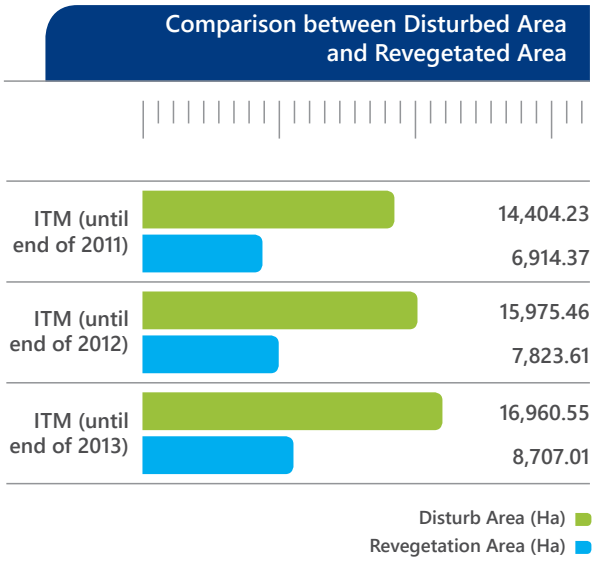
Activity	Unit	Planned	Realized	Accomplishment
Land Clearing	Ha	2.581,34	1555,88	60%
Landscaping	Ha	942,93	790,58	84%
Revegetation	Ha	868,57	903,29	104%
Plant Treatment				
• Replanting	Btg	136.216	146.319	107%
• Fertilization	Ha	868,57	903,29	104%
Building Mud Settling Pond	Unit	6	6	100%
Topsoil Stripping	BCM	4.565.716,90	2.838.121,28	64%
Topsoil Dissemination	BCM	1.682.271,47	1.692.077,22	105%

Recapitulation of Reclamation Area (until End of 2013)

Activity	Unit	PT Indominco Mandiri	PT Trubaindo Coal Mining	PT Kitadin - Tandung Mayang	PT Kitadin - Embalut	PT Jorong Barutama Greston	PT Bharinto Ekatama	Total
Concession Area	Ha	25,121	23,650	2,338	2,973	9,556	22,000	85,638
Disturbed Area	Ha	8,833.37	4,545.37	298.60	1,422.88	1,529.15	311,18	16,960.55
Revegetated Area	Ha	6,149.03	858,39	93.17	692.61	908.58	1.82	8,707.01
Area permitted by Forest Use Permit	Ha	24,265.93	12,287.48	1,433,574	0.00	2,585.48	2,705.63	43,278.09

Overall, an extensive opening of land for mining by 6 (six) ITM subsidiaries totaled 16,960.55 Ha. We replanted around 51% or 8,707.01 Ha of this total area, while the remaining 49% or 8,253.54 Ha formed an active operational area. The total number of revegetated plants that we planted throughout the operational area reached 5,852,923 with local crops making up 78.9% of that total number.

Item	Unit	ITM (until end of 2011)	ITM (until end of 2012)	ITM (until end of 2013)
Disturbed Area	Ha	14,404.23	15,795.46	16,960.55
Revegetated Area	Ha	6,914.37	7,823,.1	8,707.01



We not only carry out this planting in reclaimed areas on ITM concession land, we also do so outside our concession areas. Through to the end of 2013, we planted a total number of 311,460 trees on 600 Ha of land.

ITM has also carried out replanting in 600 Ha of watershed area (Daerah Aliran Sungai) which is an obligation of ITM as the holder of Forest Use Permit (Ijin Pinjam Pakai Kawasan Hutan/IPPKH).

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ENVIRONMENTAL MANAGEMENT

We have devised and are currently undertaking various environmental management efforts, encompassing nine program activities, such as:

- Preparing a reclamation plan that includes an Annual Environmental Plan Document and a Five-Yearly one, a Reclamation Guarantee Document together with a Mine closure Plan Document.
- Building and maintaining erosion control facilities at all mining locations.
- Arranging slopes appropriate to soil conditions (erosive and non-erosive).
- Developing and employing local plant species and other productive crops for revegetation.
- Minimising the extent of open mining operations.
- Controlling the impact of solid and liquid waste as well as hazardous and toxic waste substances on water quality, air quality and soil quality.
- Reclaiming mine closure land that has economic value.
- Developing environmental research and development (R&D) in order to determine environmental management methods that are efficient and effective; and
- Preparing reasonable environmental management funds through to the cessation of mining activities in the form of a Reclamation Guarantee and Environmental Provisions.

All environmental management programs are run, monitored and evaluated on a regular basis in line with the ISO 14001:2004 accreditation system. This is part of our ongoing efforts to improve, with the ultimate aim of controlling and minimising environmental impact from our mining operations.

Each year, we determine environmental target indicators, based on applicable regulations, to measure the effectiveness of our environmental management. These indicators refer to provisions at local government level as well as the Environment Ministry, and other relevant regulations.

In order to fulfil the provisions on maintaining the quality of the environment in accordance with environmental quality standards (EQS), we run environmental management programs that cover modified land areas, land clearing and reclamation of mined land, crop care, draining slurry into sedimentation basins, the making of slurry sedimentation basins, seeding and planting, top soil management, preventing acid mine drainage (AMD), erosion control, research and development, handling Hazardous and Toxic Waste Materials, emissions and effulents, and implementing community development programs (CDC/CS).

We use the standard parameters as laid out in regulation of Ministry of Environment No. 21/2008 on Stationary Source Emission Standards and Environment Ministry Regulation No. 05/2006 on a Motor Vehicle Exhaust Emissions Threshold when monitoring environmental quality. We have succeeded in managing our operations well, keeping the EQS parameters to below those in the applicable provisions, with the result that during the reporting period, no monetary fines were imposed on ITM due to environmental violations.

Use of Materials

Our coal mining operations do not involve processing, so no raw materials are needed. The work we undertake is to remove the total volume of overburden, extract the coal seams that are then broken down according to the size required, and then transport them to consumers.

To carry out these activities, we need several operational support materials, including explosives (to break through hard layers of overburden), fuel, grease and lubricants for operational vehicles as well as lime (to neutralize acid mine drainage). All of these materials are non-renewable. Details of the use of each of these support materials is as follows.

- **Explosive Material**
  The type and amount of explosive materials used for ITM operation is as follows:

Year	Ammonium Nitrate (Kg)	Dynamite (piece)	Detonator (piece)
2012	73,413,434	654,382	1,467,964
2013	62,748,400	576,965	1,259,284

- **Lubricants (oil and grease)**
  Lubricants are used to lubricate engines, while grease is used to lubricate chain connections, bearing conveyor belts, heavy equipment movement joints and the like. Total usage is:

Year	Lubricants Oil (liter)	Lubricants Grease (Kg)
2012	7.295.538	545.899
2013	7.211.221	580.363

- **Quicklime, flocculants and coagulants**
  The amount of Calcium Oxide, Flocculants, and Coagulants used is as follows:

Total usage of Calcium Oxide, Flocculants, and Coagulants

Type	Year	
	2012	2013
Coagulants (liter)	63,646	265,720
Flocculants (liter)	43,431	501,368
Calcium Oxide (Kg)	2,412,652	2,399,024
Calcium Oxide (Liquid – pH adjuster) (liter)	-	3,600

Besides the support materials that are used directly in operational activities, we also need other support materials that are not directly used in our operations. These include support materials for administrative purposes, such as paper, plastic packaging, printer ink and so on.

Recycled Materials and Reused Materials

In addition to the materials mentioned above, we also use recycled and reused materials for different kinds of activities, which include:

- Recycled plastic to hold household/office rubbish, while used paper is utilised for wrapping/packing spare parts for support activities.
- Used oil is employed in mixing ammonium nitrate fuel oil (ANFO), which is utilised during the blasting process.
- Reconditioned conveyors for conveyor belts, and
- Reconditioned bearings for bearing replacement.

Energy Management and Use

We use energy sources for two purposes, namely operations and operational support. For operations, we use two sources of energy in our supply chain: primary energy in the form of fuel oil (BBM) and coal, and secondary energy in the form of electric power, which is supplied by PT PLN as well as self-owned power plants. Primary energy in the form of fuel and diesel is used for mining and transportation, while coal is used for the private electric power plants. Our electrical power is used to support our mining operations, administrative needs and lighting.

The amount of primary energy used for mining activities and transportation correlates positively with the intensity of the activities in those two areas. As illustrated in the following table, any decline in mining activities is accompanied by a similar reduction in energy consumtion. While the work at harbours of loading and unloading for trade purposes continues to rise, in line with the increased loading and unloading of coal in stockpiles, part of which emanates from coal purchases.

Usage of Primary Energy

Type of Activity	Total Energy Usage 2012 (Kilo Joule)	Total Energy Usage 2013 (Kilo Joule)
Mining	$1{,}776 \times 10^9$	$1{,}633 \times 10^9$
Port	237×10^9	259×10^9
	$14{,}669 \times 10^9$	$13{,}161 \times 10^9$
TOTAL	$16{,}683 \times 10^9$	$15{,}054 \times 10^9$

Total coal use in 2013 for our self-owned electric power plants fell slightly, resulting in a reduction of electrical output, as shown in the following table.

Usage of Coal for Electricity Generation

Year	Total (Ton)	Total Energy (Kilo Joule)
2012	33,152.78	804×10^9
2013	32,364.37	785×10^9

In addition, PT Jorong Barutama Greston, one of ITM's subsidiaries, used electricity supplied by PLN for its operational activities. The total amount of electricity supplied by PLN was as follows.

Year	Total (kWh)
2012	1,372,755
2013	9,937

ITM implement energy concentration through austerity measures and efficiency improvement of production processes.

In order to reduce the consumption of electricity, both the electricity generated at self-owned power plants and that supplied by PLN, ITM has applied a series of energy-saving policies. The programs and policies adopted to save electricity include:

1. Raising awareness among and encouraging our employees to:
   - Raise AC temperature settings.
   - Maximise AC capacity, and
   - Use natural light whenever possible.
2. Using capacitor banks.
3. Using energy-saving lightbulbs.
4. Using spotlights with LED lightbulbs.
5. Using solar cell lights in areas that are not connected to electricity grids.
6. Improving the quality of the electricity network.
7. Maintaining roof casing conveyors.

While to reduce the consumption of BBM, several initiatives have been launched, which include:

1. A mining operations optimisation program.
2. Load tests on every piece of heavy eqipment.
3. Setting the filling distribution of BBM for heavy equipment.
4. Monitoring and regulating servicing for non-mining vehicles.

ITM implement consistent effort and study so that the overall energy usage data indicate a decrease in energy requirements.

Water Conservation

We do not use water for any processing activities but rather for several other purposes such as "washing" the coal (using a spraying method) in order to clean off the slurry attached to it, spraying transportation areas and crushing to reduce dust, cooling and raw materials at coal-fired power plants as well as for necessary bathing, washing and toilet (MCK) facilities, both in the field and in our offices.

The results that we have compiled show our mining efficiency measures have also had an impact on our use of water. The estimated volume of water used for coal production in 2012 amounted to 0.8 m^3/ton. In keeping with a reduction in coal production, the amount of water used for coal production in 2013 also went down, to around 0.3 m^3/ton. The source of the majority of the water used was surface water/ river water.

Total Volume of Water Usage

Year	Surface Water Used for Mining Activities (m^3)	Surface Water Used for Coal Washing (m^3)
2012	10,314,424	2,441,519
2013	7,519,999	1,990,771

Besides surface water as mentioned above, ITM via its subsidiary, PT IMM, also utilises sea water from adjacent areas. The total amount of sea water used throughout 2012 and 2013 is illustrated in the following table.

Year	Seawater Intake (m^3)	Seawater Discharge (m^3)
2012	967,865	1,492,296
2013	404,842	1,126,355

We seek to minimise the use of water by applying an efficiency policy, which includes imposing a limit on the amount of water used for MCK facilities, conserving water for washing operational vehicles and so on. In addition to these efficiency measures, we make other efforts to improve the quality of water around our operational areas.

One of these efforts to improve water quality is to actively treat acid mine drainage (AMD) in a Slurry Sedimentation Basin with the addition of lime, which results in water quality meeting EQS before being discharged into surface/seawater. The results of a test examining the quality of waste water, which was conducted by a third party, showed that all the parameters measured were in accordance with EQS provisions.

Results of Environmental Quality Standards Monitoring for Water Discharge

Parameter	Environmental Quality Standards	Quality Range in 2012 (mg/l)	Quality Range in 2013 (mg/l)
pH	6-9	6-8,97	6,01-8,91
TSS	300 mg/L	1-288	1-296
Fe	7 mg/L	0,007-5,75	0,001-6,06
Mn	4 mg/L	0-2,15	0,002-3,72
Cd	0.05 mg/L	0,005	0,005

To maintain the availability of surface water and to nurture the conservation of the environment, especially water sources, we also conserve water resources in several ways, including:

1. Using mine water to sprinkle on the roads and production facilities.
2. Using rain water to wash heavy machinery.
3. Creating ponds to conserve water; as well as
4. Making absorption pits in our office complexes and settlements.

All the water used in operational activities is eventually collected, thus forming a closed-loop water consumption system so as not to disrupt the availability of surface water. By utilizing this method, water that has already been used and recycled will be returned to public waterways in a good condition that is fit for use.

Via these measures, we actively participate in efforts to maintain and preserve surface water sources. The impact has been positive and during the reporting period, ITM received no reports or complaints concerning any disruption to water sources due to a lowering of water levels as a result of water extraction.

ITM regularly monitors the effect of the water returned to public waterways upon local biodiversity. Our results indicate that the water discharged has had no negative impact upon biodiversity. The results from monitoring Aquatic Biota showed that the waterways in areas surrounding ITM's operations had suffered no significant disturbance, as indicated by the value of the diversity index, which was at a fairly good level.

Controlling Emissions

As a form of our participation in efforts to mitigate greenhouse gas (GHG) emissions, we have implemented a program to control emissions in a structured and planned way. The main source of emissions from ITM's operational activities is the use of mining equipment that employs non-renewable fossil fuels, namely diesel fuel and gasoline along with the installation of coal-fired power plants. ITM's total GHG emissions are almost always directly proportional with the intensity of our coal production operations.

Based on the amount of fuel oil usage and the level of burning effectiveness of the means of production and our own operational tools, the estimated CO_2 emissions in 2013 from the company's mining activities were as follows.

Source of CO_2 Emission	2012 (ton CO_2)	2013 (ton CO_2)
Scope 1 (Fuel Usage)	1,237,915.33	1,116,988.08
Scope 2 (Fuel Usage for Electricity Generation)	60,651.80	59,209.40
Scope 3 (Electricity Usage)	2,273.67	1,016.75
TOTAL	1,300,840.80	1,177,214.23

In order to mitigate the sources of emissions, we regularly carry out emissions tests on production facilities and transportation support vehicles both in the field and at our headquarter/branch offices. The moving object emissions test is carried out in accordance with Ministry of Environment Regulation No. 05/2006, while stationary objects are tested in accordance with Ministry of Environment Regulation No. 21/2008.

Tests are conducted by third parties in cooperation with authorised agencies to ensure that all ITM's primary and operational support equipment emits the lowest possible emissions, pursuant to the applicable regulations. These measurements, which are taken on a routine basis, are set against emission standards for moving equipment (operational vehicles) and stationary equipment (incinerators and generators).

The parameters measured include, among other things, sulphur oxides (SOx), nitrogen oxide (NOx) and particulates, bearing in mind that direct and indirect emissions have the potential to cause health problems to both people and animals. The results of the measurements taken so far show that all the parameters are consistently below the specified EQS levels. The results of air quality measurements based on exhaust emissions throughout all installations at each mine location are as follows.

Location and Year	2012				
EMB	Low	High	Quality Standard		
SO_2	2	16	SO_2	800	mg/Nm³
NO_2	125	960	NO_2	1000	mg/Nm³
Opacity	5	10	Opacity	20	%
PM	13,37	25,15	Particulate matter	150	mg/Nm³
CO	5	504	CO	600	mg/Nm³
	2013				
EMB	Low	High	Quality Standard		
SO_2	0	16	SO_2	800	mg/Nm³
NO_2	68	876	NO_2	1000	mg/Nm³
Opacity	5	10	Opacity	20	%
PM	2,58	139,25	Particulate matter	150	mg/Nm³
CO	52	505	CO	600	mg/Nm³

Location and Year	2012				
TCM	Low	High	Quality Standard		
SO_2	1	54	SO_2	800	mg/Nm³
NO_2	216	882	NO_2	1000	mg/Nm³
Opacity	5	10	Opacity	20	%
PM	8,92	54,56	Particulate matter	150	mg/Nm³
CO	76	104	CO	600	mg/Nm³
	2013				
TCM	Low	High	Quality Standard		
SO_2	0	14	SO_2	800	mg/Nm³
NO_2	412	482	NO_2	1000	mg/Nm³
Opacity	5	15	Opacity	20	%
PM	12,18	22,85	Particulate matter	150	mg/Nm³
CO	96	104	CO	600	mg/Nm³

Location and Year	2012				
IMM	Low	High	Quality Standard		
SO_2	1	554	SO_2	800	mg/Nm³
NO_2	33	990	NO_2	1000	mg/Nm³
Opacity	10	20	Opacity	20	%
PM	19,7	78,3	Particulate matter	150	mg/Nm³
CO	12	453	CO	600	mg/Nm³

	2013				
IMM	Low	High	Quality Standard		
SO_2	2	52	SO_2	800	mg/Nm^3
NO_2	45	995	NO_2	1000	mg/Nm^3
Opacity	5	20	Opacity	20	%
PM	24,1	63,9	Particulate matter	150	mg/Nm^3
CO	11,65	435	CO	600	mg/Nm^3

Location and year	2012				
JBG	Low	High	Quality Standard		
SO_2	8	342	SO_2	800	mg/Nm^3
NO_2	275	825	NO_2	1000	mg/Nm^3
Opacity	15	20	Opacity	20	%
PM	33,4	65,5	Particulate matter	150	mg/Nm^3
CO	346	538	CO	600	mg/Nm^3
	2013				
JBG	Low	High	Quality Standard		
SO_2	1	36	SO_2	800	mg/Nm^3
NO_2	104	675	NO_2	1000	mg/Nm^3
Opacity	7	20	Opacity	20	%
PM	5,5	47,5	Particulate matter	150	mg/Nm^3
CO	135	578	CO	600	mg/Nm^3

Location and year	2012				
TDM	Low	High	Quality Standard		
SO_2	2	21	SO_2	800	mg/Nm^3
NO_2	21	111	NO_2	1000	mg/Nm^3
Opacity	5	20	Opacity	20	%
PM	11,63	42,05	Particulate matter	150	mg/Nm^3
CO	No monitoring of CO		CO	600	mg/Nm^3
	2013				
TDM	Low	High	Quality Standard		
SO_2	1	17	SO_2	800	mg/Nm^3
NO_2	111	865	NO_2	1000	mg/Nm^3
Opacity	7	20	Opacity	20	%
PM	18,24	45,61	Particulate matter	150	mg/Nm^3
CO	No monitoring of CO		CO	600	mg/Nm^3

We also strive to reduce emissions of ozone-depleting substances by replacing the use of ozone-depleting chemicals, namely by gradually retrofitting refrigerant freon (CFC) with hydrocarbon, which is more environmentally friendly.

The range of activities that we undertake to mitigate GHG includes:

1. Combatting fugitive emissions:
    - Monitoring stationary and mobile emission sources.
    - Burning garbage in closed areas.

2. Implementing programs to reduce GHG, such as:
   - Revegetation program using trees that are known to reduce air pollution and absorb CO_2 (Angsana, Trembesi, Tanjung and Mahogony).
   - Open land to a minimum.
   - Defend native vegetation.
3. Replace ozone-depleting chemical substances, namely CFCs, with domestic hydrocarbon products.

Transportation Impact

Besides gas emissions, we are also concerned with efforts to reduce dust as a result of transporting coal, especially in residential areas near our operations. We routinely monitor levels of dust particles in the air around our mining areas. The efforts we undertake to reduce dust pollution include:

1. Watering/spraying the front of a mine when excavating and loading coal.
2. Regularly watering the production roads.
3. Carrying out revegetation and creating buffer zones.
4. Implementing a dust suppression system at stockpiles on a regular basis.
5. Imposing restrictions on truck loads and speeds.
6. Undertaking routine care/maintenance of heavy equipment to reduce gas pollutants; and
7. Planting trees alongside transport roads (green barriers).

Waste Management and Treatment

ITM applies the 3R policy in managing and processing waste, which comprises:

1. Reduce: attempting to reduce the amount of waste through operating efficiently.
2. Reuse, attempting to reuse items that have already been used; and
3. Recycle, attempting to recycle things ourselves, wherever possible, or hand things over to a competent authority for recycling.

Our mining activities produce operational waste from our support facilities and infrastructure around our mines as well as from activities undertaken by communities and employees in the area of our mine sites. The different kinds of waste consist of solid waste, liquid waste and hazardous and toxic waste. The origins of these waste products and the way we manage them is outlined below:

1. Solid waste
   - Items that still have some economic value are sold, while those that have no economic value are dumped in landfills.
   - Waste products such as old/second-hand and scrap metal, second-hand conveyor belts, old batteries, second-hand tyres and fly ash.
   - Items we continue to use as backups after being reconditioned. This is part of our reuse policy. Items that we reuse include second-hand spare parts, second-hand conveyors and so on.
   - Solid waste in the form of fly ash originates from the coal-fired power plant in the area operated by PT Indominco Mandiri. We plan to use the fly ash to manufacture paving blocks.

Total Fly Ash Effluent which are Utilized

Year	Fly Ash (Kg)
2012	869.91
2013	794

2. Liquid waste
   - One form of liquid waste is used lubricating oil or oil that is spilled during oil changes.
   - To prevent any oil that is spilled from becoming contaminated, we fit oil traps on our workshop floors.
   - We utilise part of the used oil to mix ANFO explosives. We hand the remainder over to collectors.
   - The total amount of our used oil and how it is utilised is described in the following table.

Year	Used Oil (Liter)	Reused Oil for ANFO (Liter)	Residual Oil
2012	4,300,465	0	4,300,465
2013	4,201,041	749,257	3,451,784

3. Hazardous and Toxic waste
    - Examples of hazardous and toxic substances are used oil/lubricants, used batteries, used oil filters, contaminated dust cloths/sawdust, fluorescent lights and incinerator residue. All these waste substances are stored in temporary storage areas specifically for hazardous and toxic materials.
    - Handling:
        - Used oil/lubricants, used batteries, fluorescent lights, grease, incinerator residue, fixers and developers and cartridges/toners are taken and transported by collection and processing companies, which specialise in hazardous and toxic materials and are authorised by the Environment Ministry, in accordance with the provisions in Government Regulations No. 18 and No. 85/1999 on the Management of Hazardous and Toxic Waste.
        - Used filters and contaminated dust cloths/ sawdust are burned in an incinerator. We carry out a bio-remediation process on material tainted with hydrocarbon.
    - We continually submit balance sheets on hazardous and toxic waste to the relevant institutions.
    - We never export or import hazardous and toxic waste substances that are listed in the Basel Convention Annex I, II, III and VII. None of the company's waste products are included in those categories of the convention.

4. General waste
    - This originates from ITM's residential and mining areas.
    - We dispose of domestic waste in landfills. The management of organic waste involves local communities who turn it into bokashi fertilizer, which we then buy and use on our revegetated land.
    - Other materials that are not directly associated with aspects of our production are treated as follows: using paper efficiently (for example, using paper back-and-forth or reusing it), used printer ink cartridges are returned to the manufacturer and plastic is used to its optimum effect. The domestic waste produced is handled by relevant departments. All such waste is recycled by competent third parties.

Managing AMD (Acid Mine Drainage)

Alongside our operational activities, in the process of excavation, soil removal and the extraction of coal seams, pools of water always emerge in the pit, whether from rainwater runoff or an accumulation of surface water. This accumulated water, which always accompanies open-mine practices, is usually acidic and is known by the term, acid mine drainage (AMD).

Materials that has potential to generate a form of acid reaction (Potential Acid Forming-PAF) will receive a special handling at the material placement (overburden), in order to keep the reaction and to produce acid to water, both at the surface water and ground water. Any materials that have potentially acid forming reaction is encapsulated and placed on the bottom surface, which the coating material is non-acid forming (NAF) and it is topped with a compacted top soil layer with 1-2 meters thick.

ENVIRONMENTAL RESEARCH AND DEVELOPMENT

We carry out a number of studies and research that contribute to the process of evaluating environmental conditions in our mining areas and their environs. Several environmental research and development studies that we conducted in 2013 included:

- Developing a Tissue Culture technique with the aim of helping to increase the number of plants (especially plants that are hard to cultive through regeneration).
- Utilising used oil for blasting (mixing ANFO).
- Conserving local, indigenous plants/crops; and
- Developing a method to process and use domestic garbage to produce bokashi fertilizer.

ENVIRONMENTAL MONITORING

We routinely monitor environmental conditions in our mining areas to minimise environmental degradation, and also as part of our efforts to mitigate risks to the environment. This environmental monitoring includes: monitoring water quality, air quality, soil quality, soil contamination, erosion, and monitoring wildlife and aquatic biota living around our mining areas.

In 2013, we carried out a number of routine monitoring activities, which are described in the following table.

Environmental Monitoring Activities 2013

Type of Monitoring Activity	Amount of Monitoring Point	Frequency of Monitoring Activities by Independent parties
Water quality		Performed daily by ITM and once a month by independent party Daily monitoring include measurement of pH and water
a. Waste water	56	Once a month
b. Surface water	52	Once every 3 month
c. Sea water	9	Once every 3 month
Air quality		
a. Ambient	54	Once every 3 month
b. Emission:		
• Mobile	12	Once every 3 month
• Stationary	63	Once every 3 month
Soil fertility	45	Once every 3-6 month
Level of erosion and sedimentation	39	Once a month
Flora and fauna		
a. Aquatic biota	9	Once every 3 months
b. Terrestrial flora	17	Once every 3-6 months
c. Protected animal	12	Once every 3-6 months. Monitoring of fauna is also performed by identifying footprints of wild animals within the rehabilitation area.
Social, Economic, and Culture	-	Monitoring is performed using survey, meeting, and training for local communities (head of the village, traditional leaders, and land acquisition team)

This routine monitoring offers an overview of the degree to which EQS provisions were met, while the development of environmental quality in managed areas as well as around them included:

- The monitoring of aquatic biota (plankton, benthos and nekton) in bodies of water near harbours and areas of surface water by third parties showed improved water quality that could support living aquatic biota.
- Wildlife monitoring showed that locations that had been rehabilitated and revegetated were able to support wildlife.
- The monitoring of revegetation showed that overall, planting activities were running well, with a revegetated plant-growth success rate of more than 80%. Meanwhile, maintenance activities needed to be improved.
- Economic, social and cultural (ECOSOC) monitoring showed that overall, the implementation of environmental management and environmental monitoring complied with the environmental management and monitoring plan as laid out in the EIA.

Managing Biodiversity

ITM looks at the conservation of biodiversity as part of its efforts to maintain the earth's sustainability. Therefore, all of our 6 operational areas, which are located in protected forest and production forest areas, have Borrow and Use of Production Forest Areas permits, which are issued by the Forestry Ministry. The entire area within the scope of the Mining Permit (IUP) owned by ITM is managed without the involvement or presence of management agreements that involve indigenous people.

In line with our holding policy, we apply a concept of environmentally-sound mining in carrying out our mining activities in our IUP areas. We implement this concept so as to restore the habitat in formerly mined areas to its original state. We strive to minimise the incidence of extreme changes to the landscape, which could result in a loss of vegetation on the land and its accompanying ecosystem.

The various activities that we undertake to maintain biodiversity in our managed areas include:

- Maximising revegetation using local plants.
- Carrying out a plant enrichment program with rare plants that are also economically valuable.
- Cultivating plants in our own managed nursery, such as the Meranti (*Shorea spp.*), Black Orchid (*Coelogyne pandurata*) and so on.

To support the success of this program, we collect data on various habitats in our managed areas, mapping biodiversity while at the same time identifying the presence of protected flora and fauna species. The results of our mapping are used to support reclamation and rehabilitation in mine closure areas in order to restore the entire habitat and ecosystem.

For protected animal, we monitor wildlife on a regular basis on former mine land that has been reclaimed. We apply a benchmark of conservation success by proving there has been an increase in the amount of wildlife (wild fowl, reptiles and mammals) compared to the period before we conducted our environmental management program.

With respect to the possibility of protected flora and fauna in our managed areas, according to the provisions laid out by the International Union for Conservation of Nature and Natural Resources (IUCN) as well as the list of rare species issued by the Indonesian government, we routinely monitor for these forms of plantlife assisted by competent third parties. We conduct ongoing observations of the types of plantlife in accordance with these lists in ITM's mining areas.

During 2013, we identified diversity among local plant species and found several species that were listed on the IUCN's Red List, such as *Mangifera rubropetala* (forest mango), which is categorised as extinct in the wild (EW), *Dipterocarpus kunstleri* and *Hopea ferrugina*, which are categorised as critically endangered (CE).

We also rediscovered the *Dendrobium spathipetalum* orchid, which had not been seen for more than 90 years, either in a number of specific studies on orchids or by orchid lovers in general. In order to prevent the extinction of this species, we have developed a rescue and breeding cultivation plan that is supported by by the Purwodadi Botanical Garden and the Indonesian Institute of Sciences (LIPI). We also confirm that we will return every variety of local plant identified as part of our mine closure land reclamation and revegetation program.

Rare Biodiversity Found in Managed Area

Spesies	Genus	IUCN Category
Aglaia angustifolia	*Meliaceae*	VU
Dipterocarpus kunstleri	*Dipterocarpaceae*	CR
Durio dulcis	*Bombacaceae*	VU
Hopea auriculata	*Dipterocarpaceae*	EN
Hopea ferrugina	*Dipterocarpaceae*	CR
Madhuca betis	*Sapotaceae*	VU
Mangifera rubropetala	*Anacardiaceae*	EW
Mangifera similis	*Anacardiaceae*	VU
Saurauia bracteosa	*Actinidaceae*	VU
Shorea bracteolata	*Dipterocarpaceae*	EN
Shorea brunnescens	*Dipterocarpaceae*	EN
Vatica pauciflora	*Dipterocarpaceae*	EN

EW: Extinct in the wild **CR**: Critically endangered **EN**: Endangered **VU**: Vulnerable

The results of this rescue program show that 550 plant species making up a total of 1,404 varieties were successfully acclimatised in the nursery run by PT Indominco Mandiri. Later, we separated them, cultivated them and replanted them in reclaimed and rehabilitated land.

Our various efforts are proof of our commitment to applying an environmentally-sound mining concept by mining efficiently, minimising environmental degradation and carrying out efforts to conserve the environment, including closing mine sites in a responsible way.

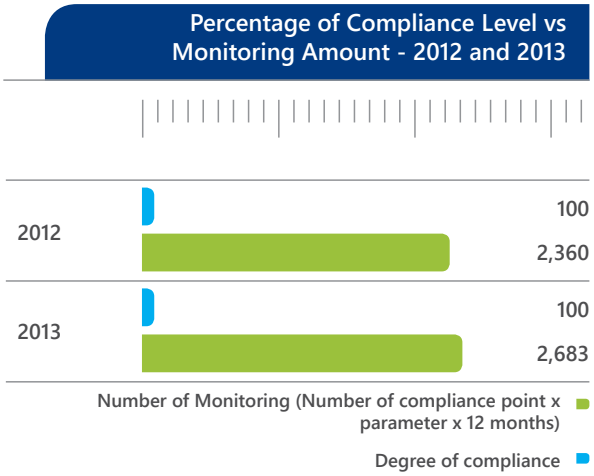
Environmental Grievance Mechanism

Data on complaints from communities is strongly related to levels of compliance. ITM has a commitment to always fulfil existing regulations, including those regulations on the level of compliance of waste water that directly affects local communities. Data on the degree of compliance in 2012 and 2013 is as follows.

Description	2012	2013
Compliance %	100	100
Amount of Monitoring (Number of Compliance Items x Parameters x 12 months)	2,360	2,683

From the above graphic, we can see that ITM's compliance level reached 100% during 2012 and 2013, with the result that ITM did not receive any complaints from local communities.

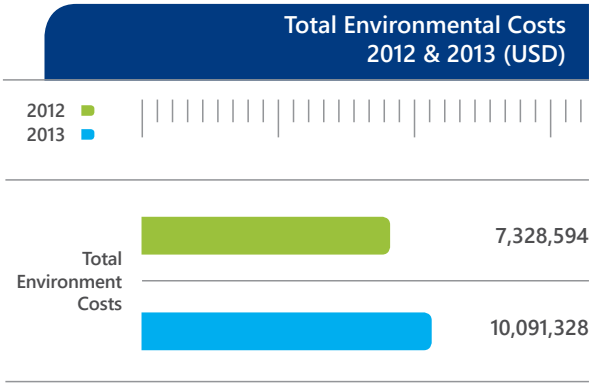
G4-DMA MM10 G4-EN31



ENVIRONMENTAL MANAGEMENT AND CONSERVATION COSTS

As management commitment to the environment and mine closure we have allocated funding as provision for managing and monitoring activities for each unit of tonnage of coal that we produced.

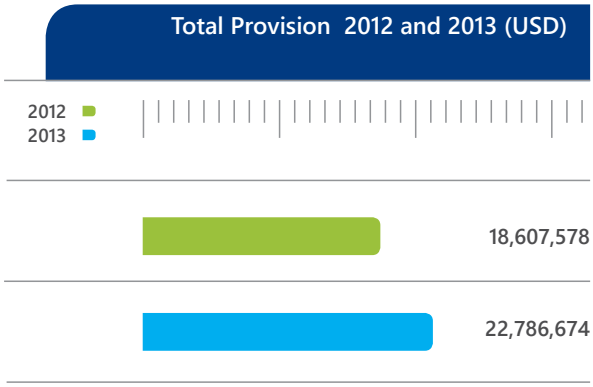
In 2013, the amount of funding allocated for environmental management and monitoring was US$10,091,328. These environmental management and monitoring costs rise 24% from the previous year of US$7,328,594.



The amount of environmental commission allocated to each site was:

1. PT. Indominco Mandiri (USD 0.08/tonne).
2. PT. Kitadin Embalut (USD 0.4/tonne).
3. PT. Kitadin Tandung Mayang (USD 0.26/tonne).
4. PT. Trubaindo Coal Mining (USD 0.06/tonne).
5. PT. Jorong Barutama Greston (USD 0.93/tonne).
6. PT. Bharinto Ekatama (USD 0.17/tonne).

A total amount of USD 22,786,674.91 through until 2013.



MINE PLANNING AND MINE CLOSURE IMPLEMENTATION

In the process of land clearing and reclaiming mine areas, we have complied with all the provisions contained in Law No. 4/2009 , Ministerial Regulation No. 18/2008 issued by the Minister of Energy and Mineral Resources and Government Regulation No.78/2010 for reclamation and mine closure, which stipulate

1. Have a license to operate.
2. Land clearing is done in stages.
3. Replanting using native and non-native plants.
4. Implement Cover Crop planting.
5. Provide reclamation and post-mining operation plan.
6. Report the progress of reclamation regularly.

We have designed and implemented various land reclamation/rehabilitation programs for former mines where mining activities have ceased. We are fully committed to realising our program of revegetation in all managed areas, both fixed and temporary.

Revegetation and Rehabilitation

We integrate all aspects of mining from planning to mine closure. Our land-clearance activities for mining are always followed by land replanting after the mining has ended. We carry out mine closure land restoration in stages, which include:

1. Collecting data on existing biodiversity.
2. Separating top soil to certain areas.
3. Breeding plant species that are used to perform mine closure land reclamation; and
4. Restoring land by replanting mine closure land and plant conservation.

We conduct revegetation in stages within a framework of biodiversity management by means of:

1. Revegetating cover crops to reduce erosion.
2. Revegetating pioneer species to form canopies.
3. Revegetating rain forest species.

We also initiate a number of environmental conservation programs in areas around and outside mining zones, both independently as well as with third parties, including local communities. In order to support all the revegetation, rehabilitation and reclamation activities, we own and have developed 6 (six) seeding farms with the capacity to produce up to 852,390 seedlings per year. However, to meet the need for plant seedlings, we guide and support local communities in plant breeding for revegetation, as part of the implementation of Community Development activities. Afterwards, we buy the seeds from farmers incorporated within a farmers' partnership that provides the seeds. The average number of plant seedlings purchased in a year is 149,935.

PERFORMANCE ENVIRONMENTAL ASSESSMENT CONTRACTOR

As part of its active commitment to environmental conservation, ITM and its subsidiaries incorporate environmental assessment considerations in the selection of contractors (mining and transportation) by using a Contractor Management System (CMS) in the stages of prequalification and determining tenders. By using this assessment, we expect the business partners we work with to also have a high level of commitment to environmental conservation when carrying out their operations.

MINE CLOSURE PLAN

We are committed to enhancing the quality of life among local communities when our mining activities in PT Jorong Barutama Greston, as a subsidiary of ITM, come to an end. In preparing a mine closure, we compile documents on a mine closure plan that consists of planning mine closure activities, including environmental management and community empowerment. In compiling the mine closure documentation, we work together with educational institutions such as Lambung Mangkurat University (UNLAM), and Bogor Agricultural Institute (IPB), as well as with provincial governments and communities living around the mine. We endeavour to design and put into practice development and community empowerment programs that will enable the growth of productive activities for communities to meet their own needs and to obtain sustainable economic benefits following the cessation of mining operations. These activities include the following development initiatives:

1. The cultivation of Buras Super Chickens and Queen Ducks.
2. Demonstration plots for Dragon Fruit orchards, and
3. Demonstration plots for intercropped fruit orchards.

These activities include the preparation of several other aspects, including:
1. The legality of the mine closure area.
2. The re-allocation of labour.
3. Environmental management and monitoring after the mine closure; and
4. Drawing up estimates of the mine closure costs.

AWARDS

All these efforts that we have implemented due to our strong commitment to environmental protection have resulted in the company winning a number of awards for environmental management, which include:

- **Indonesian Green Awards 2013,** organized by Majalah Bisnis dan CSR in Collaboration with Ministry of Forestry and Ministry of Industrial.

- **PROPER Rankings Achieved by ITM Subsidiaries**

Site	PROPER Regional Level	PROPER National Level
IMM	Gold	Blue
JBG	-	Blue
EMB	Green	Blue
TCM	Green	Blue
TDM	Green	-

- **Environmental Management Awards from Ministry of Energy and Mineral Resources**

Site	Types of Award Received in 2012	Types of Award Received in 2013
IMM	Bronze	Silver
JBG	Bronze	Silver
EMB	Bronze	Silver
TCM	-	Bronze
TDM	-	Bronze

4 ENSURING OCCUPATIONAL HEALTH AND SAFETY


DAERAH WAJIB
ALAT PELINDUNG D
- HELM PENGAMAN
- PELAMPUNG
- SEPATU KESELAMATAN

G4-LA5 G4-DMA G4-LA8

With the majority of its operational activities taking place in open areas, ITM acknowledges that Occupational Health and Safety (OHS) is one of the major determining factors in the company's operational success. Therefore, we are fully committed to continually improving the quality of OHS management in our day-to-day operations. To demonstrate our commitment to the implementation of safe mining activities, ITM has established an OHS policy, which asserts that.

1. Zero accidents that result in the loss of working days.
2. Zero recurrence of accidents.
3. Zero breaches and compliance requirements of OHS minimum standard throughout the operational activities.

In order to improve OHS management and to ensure that all work procedures carried out prioritise the different aspects of OHS, ITM integrates the units and operational aspects of OHS management into an ITM-OHS management system. In addition, ITM has used OHSAS 18001:2007 certification standards since 2004.

Through to the end of 2013, two of our subsidiaries, PT Kitadin and PT Indominco, obtained accreditation certificates for these safety standards from third parties. Meanwhile, our other subsidiaries recorded meaningful progress in their efforts to secure the same accreditation.

Given the fact that ITM's field activities involve mining contractors, we run a contractory safety management system (CSMS), which is intended to improve the effectiveness of OHS management as well as improving ITM's performance together with third-party contractors in applying the OHS Management System.

OHS IMPLEMENTATION MANAGEMENT

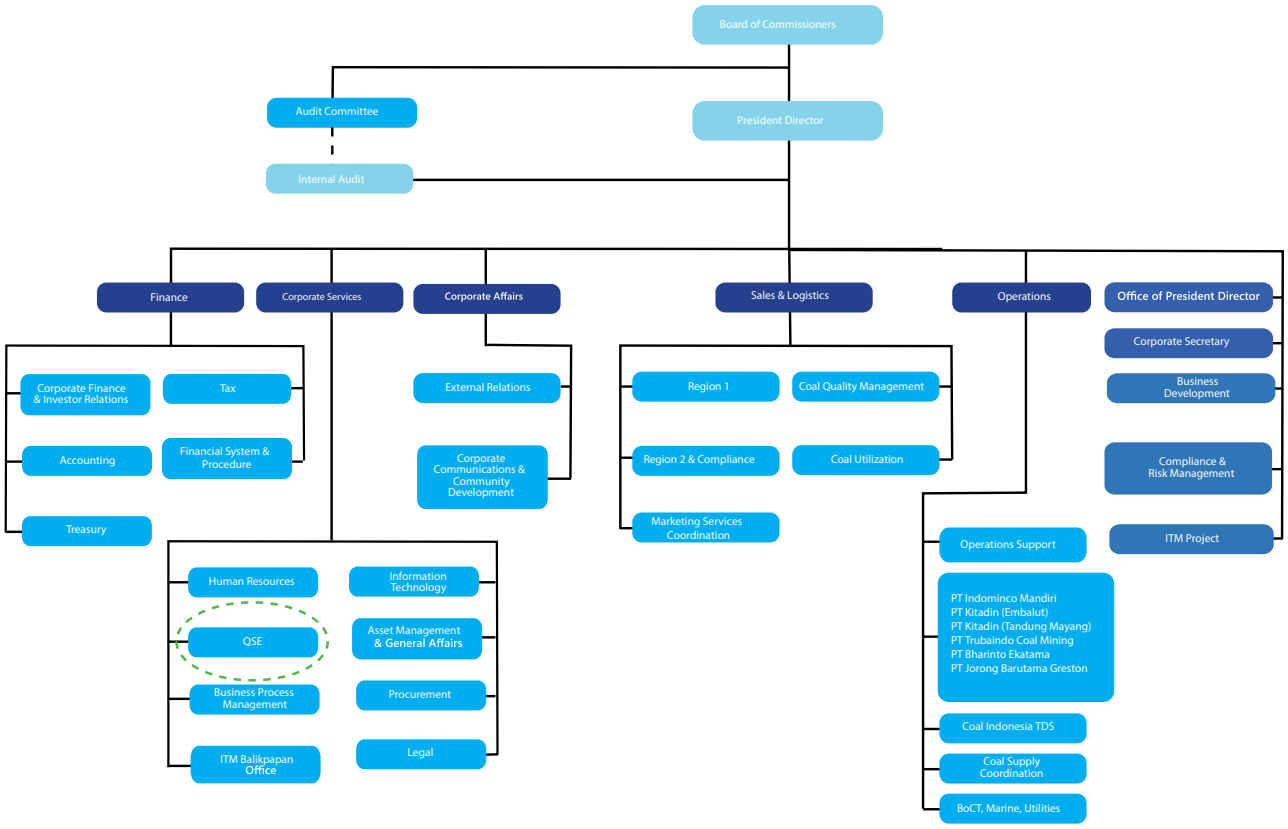
The Quality, Safety and Environment (QSE) Department is a work unit within the organisation's structure responsible for guaranteeing the implementation of OHS rules as well as managing all other aspects relating to OHS. To ensure the involvement of all employees in fulfilling the elements of OHS in all operational activities, ITM has formed – via the QSE Department – an Occupational Health and Safety Committee.

The member of OHS Committee consists of representatives of employees in each unit.

The obligation of all parties (employees and the company) to uphold and comply with all OHS requirements are emphasised in articles contained in the Collective Labour Agreement (PKB), such as Article 12 (in the PT Kitadin PKB) and Articles 34-35 (in the PT Indominco PKB), which is a form of agreement between the company and its employees.

Compliance with these OHS provisions asserts that all ITM employees, when performing their operational activities, must pay due attention to all aspects of OHS.

OHS MANAGEMENT STRUCTURE AT ITM



This is a very important point, bearing in mind that almost all operational activities are conducted outdoors, so those workers involved in such activities face a higher risk of having an accident. It is estimated that more than 70% of ITM's employees are involved in operational activities located outside.

ITM routinely carries out OHS Committee meetings, both with relevant work units and with work/mining contractor partners. The aim is to remind all parties to continually adhere to all OHS provisions. At the OHS Committee level, meetings were conducted once every one month months with the number of meetings in 2013 totalling 72 times.

To anticipate and overcome the risk of work accidents and, further, to support business continuity, ITM has established an Emergency Response Team (ERT) at each of its subsidiaries. The ERTs are coordinated by the QSE Department. ITM already an Emergency Response Team at each site and actively participate in the Indonesian Fire and Rescue Challenge (IFRC), held by Ministry of Energy and Mineral Resources (Kementerian ESDM). These teams have been trained by the National Search and Rescue Agency (BASARNAS).

REALISATION OF THE OHS PROGRAM IN 2013

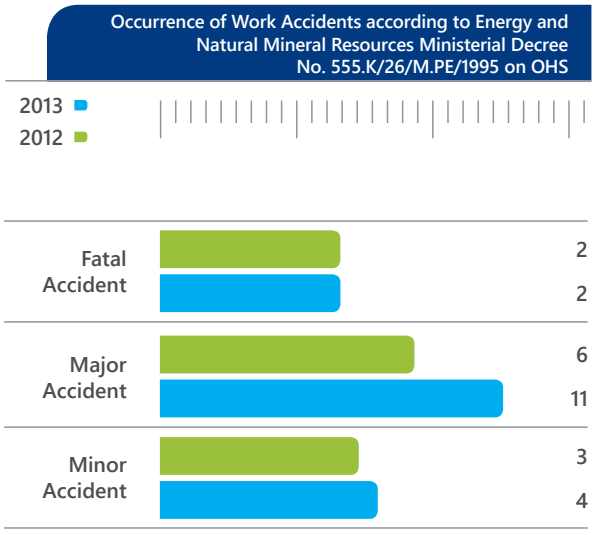
In 2013, in order to improve performance of OHS provisions in operational areas, ITM implemented a number of strategic steps relating to OHS, as described in the following list.

- The revision and evaluation of OHS policies to strengthen ITM's commitment to recording zero lost working days, zero recurrence of accidents and zero violations of legal obligations and compliance regarding the minimum OHS requirements at all operational areas.
- The checking of all health facilities that can be used by all employees, including contractor employees, and also conducting annual health checks.
- The regular evaluation of documentation concerning Hazard Identification, Risk Assessment and Risk Control at every work unit.
- The evaluation of the Contractor Management System related to fulfilling OHS aspects in mining operations.
- The regular training of ERTs, engaging ITM's Emergency Response Team (Indominco) at the 16th Indonesian Fire & Rescue Challenge (IFRC), a mining company team rescue competition that is held every year.
- Standardisation training or HR certification on OHS. The aim is to motivate employees at all managerial levels to care about OHS and to encourage conscious behaviour regarding the different aspects of OHS.
- In addition to this certification program, to improve HR competence in OHS, ITM also conducted an internal training on OHS, which was attended by employees from various lines of management.
- Inspection accompanied by improving the condition of OHS apparatus and other standard OHS equipment at all operational mine sites.

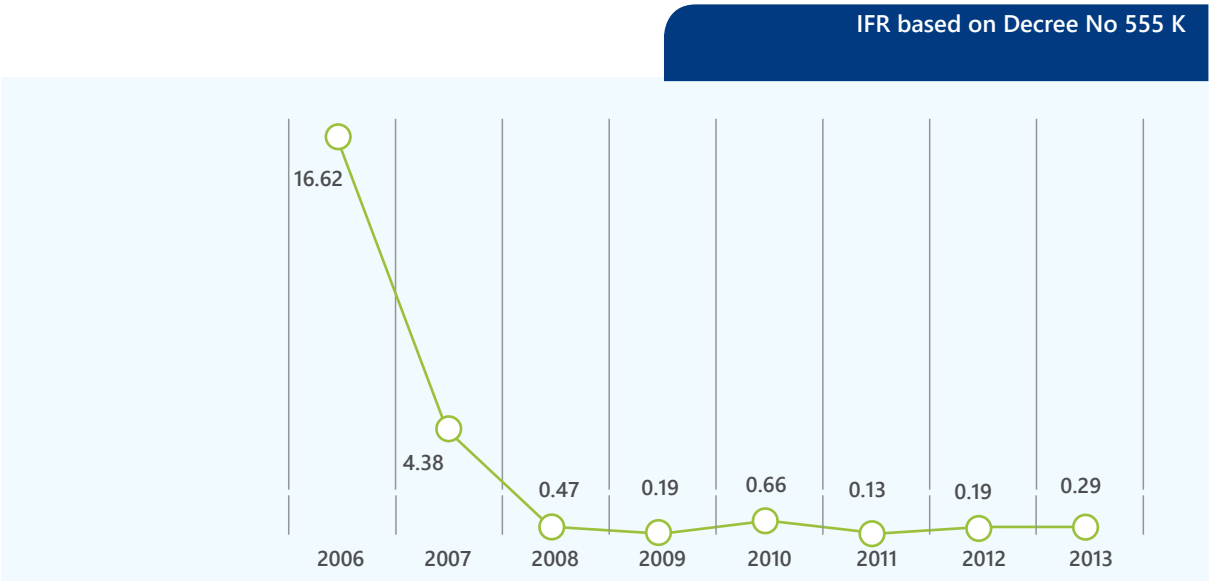
OHS PERFORMANCE STATISTICS 2013

In general, based on the incident severity rate (ISR) and incident frequency rate (IFR), safety performance in 2013 fell from the year before, due to an 83% increase in the number of major accidents and a 33% increase in minor accidents compared to 2012.

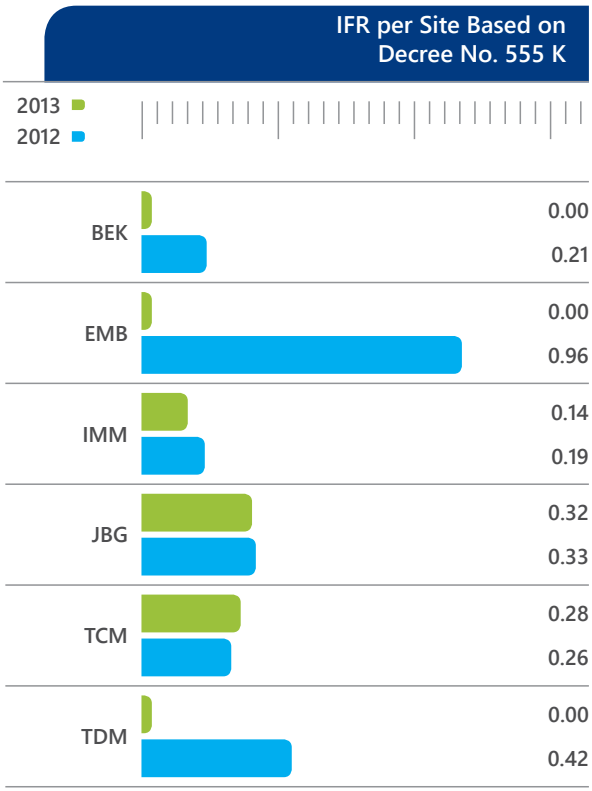
Compared with the previous year, reports of near misses went down, which was inversely proportional to the number of accidents (major and fatal), which rose. If viewed based on an Accident Pyramid Diagram (designed by Frank Bird), a decrease in near misses is followed by a decrease in accidents (major and fatal). However, looking at the incident reports for 2013, the decrease in near misses were not followed by a similar decrease in the number of accidents (major and fatal). This was due to a lack of reporting of near misses.



As shown in the above graph, based on qualified data in accordance with provisions issued by the Energy and Natural Mineral Resources Ministry Revisi:Decree No. 555K/26/MPE/1995, OHS performance in 2013 went down compared to 2012. There were two fatalities in 2013, eleven major accidents and four minor incidents. Whereas in 2012, there were two fatalities, six major accidents and three minor incidents.



According to the graph below, which shows the incident frequency rate (IFR) based on Energy and Natural Mineral Resources Ministerial Decree 555.K/26/M.PE/1995 on OHS, our IFR rose in 2013 by 50%, compared with 2012. The IFR at all sites experienced an increase, as a result of an increasing number of lost time injury (LTI) cases, which rose by 67%.



ISR based on Minister Decree No. 555 K

The incident frequent rate (IFR) and the accident severity rate (ISR) in ITM showed the most excellent achievements in 2009, with the achievement of the year with nocase of fatal accidents. For the year 2013 ISR was 208.658 (has decreased 3% compared to 2012) and IFR was 0.29 (has increased 50% compared to 2012).

Whereas regarding safety per site performance, as the following graphs and table show, the Indominco Mandiri (IMM) site demonstrated the best performance, measured by the number of hours without a fatal accident.

Description	BEK	EMB	IMM	JBG	TCM	TDM
Total Man Hour (Without Fatal Incident)	6,344,623 Since March 12	14,702,553 Since April 06	172,709,392 Since November 06	23,011,651 Since December 07	15,494,959 Since December 13	38,217,644 Since January 98

OCCUPATIONAL HEALTH

In order to maintain and improve the health of its employees and their families, ITM conducts activities that are managed within two main groups, namely:

- Occupational health of a medical nature, and
- Occupational health connected to a helthy work environment.

The management of occupational health of a medical nature is coordinated by ITM, the activities of which include:

- Employee health screening, including:
  - Pre-employee medical check-up.
  - Regular medical chec-up, which are routinely performed at least once a year. In 2013, all ITM employees underwent periodic health examinations.
  - Spesific medical check-up.
- Employee health promotion, namely: offering education, training and counselling to prevent health disorders as well as work-related diseases, illnesses resulting from work relationships and general illnesses; and
- Preventive health measures, such as fumigation, immunisation and so on.

The management of occupational health that relates to a healthy work environment is carried out by each work unit. The activities undertaken include:

- Measuring work environment parameters.
- Monitoring sanitation in the cooking areas of all food and catering suppliers, and
- Promoting employee health.

OHS CERTIFICATION AND COSTS

To measure the effectiveness of the Occupational Health and Safety Management System, ITM carries out an internal audit up to 2 times per year and an external audit 2 times per year. External audits are conducted by an Independent Certification Body, namely SGS and SAI Global. Based on its results for 2013, ITM (via PT Indominco Mandiri and PT Kitadin Tandung Mayang) was awarded OHSAS 18001:2007 Certification.

During 2013, the total amount of funds allocated to cover the costs of various OHS-related items (training, equipment, health maintenance and certification) reached Rp73,947,137,167 billion.

OHS AWARD 2013

Site	Zero Accident Award	Safety Management of Mineral and Coal Mining 2012/2013
IMM	Available	Main
JBG	None	Primary
EMB	Available	Main
TCM	None	Primary
TDM	Available	Primary

5 BUILDING PROSPEROUS COMMUNITIES

G4-DMA G4-SO1

In line with ITM's vision, that is to become a leading coal-based energy company in Indonesia with a continued growth achieved through professionalism and esteem for employees, communities, and the environment, we fully understand the importance of community development in all our operational areas. For ITM, the surrounding communities represent a stakeholder of the Company that also determines the sustainable business growth of the Company in the future, across all of its operational areas.

Through the design and implementation of our business development programs we therefore ensure that community-focused programs are in place, aimed at developing the livelihood of the communities. This is how ITM fulfills the expectations of the surrounding communities that are indeed one of ITM's stakeholders.

COMMUNITY DEVELOPMENT PROGRAMS' GOALS

Mining activities generally take place in a relatively vast area of land, involving activities such as land clearing and mass transporting of the resources. These activities take place in locations that are in direct contact with the surrounding communities. As described earlier, ITM with its six subsidiaries (Indominco Mandiri, Kitadin Tandung Mayang, Kitadin Embalut, Trubaindo Coal Mining, Bharinto Ekatama, and Jorong Barutama Greston) operate in a large geographical area, spread into three locations, namely in East Kalimantan, Central Kalimantan, and West Kalimantan. ITM's operational activities all coincide with the interest of the local communities.

We are fully committed in establishing rapport with the local communities that is always conducive and mutually beneficial in the long run. We place our emphasis on the communities living adjacent to our operational areas (Ring I), making them our priority. In these areas, interaction are more intense, and so we are able to recognize the needs of the people and may respond more readily by fulfilling their expectations accordingly.

In establishing and maintaining rapport with the surrounding communities, we have targeted for an increase in the wellbeing, self-sustaining capability, and competence of the communities in all walks of life. Enhanced competence in the public, especially in economy, social and general knowledge, will eventually bring self-sufficiency to the public, making them less reliant on us. Thus, if we must relocate our operations to other sites, which have more economically-promising coal resources, the surrounding communities whom we have left will be able to continue with their lives.

COMMUNITY DEVELOPMENT GOVERNANCE AND VALUES

ITM has implemented the values in the Banpu Spirit in developing and empowering the surrounding communities, among others through:

- Innovation
  ITM develops the quality of life for the surrounding communities as well as all relevant stakeholders, in its effort to develop self-reliant communities that are growing with time.
- Integrity
  Our Community Development initiatives serve as proof of our sustainable business success in the ITM Group.
- Care
  ITM is fully responsible for all its duties and duties related to Community; Development. This means that all Community Development programs are carried out with the support from everyone, without the unnecessary prejudice towards race nor nationality.
- Synergy
  ITM is certain that Community Development implementation will create a synergy that will support the achievement of the Company's long-term goal.

ITM has also implemented the Community Development (CD) governance based on the Banpu Group Policy No. 7/2007 on the 4M (Mission, Manpower, Money, Management) principles, as detailed below:

- **Mission**
  1. Prioritize CD programs that generate employment opportunities for the society and allow for a sustainable improvement of life quality, especially in public education and health.
  2. All local products initiated by the local people or by the Community Development Officers (CDOs) must be developed using locally available resources, coupled with efforts to increase the added value of these products.

3. Infrastructure projects or physical projects must consider the quality of the project so that the impact can be be long-lasting, and must involve local people in their maintenance.
4. CD Mine Closure Plan must be prepared together with all relevant parties, as early as possible in the operational stage.
5. Systematically monitor and follow-up program for each type of project which involve third parties every 2-3 years.
6. Implementation of CSR project and CDs is intended to gain recognition in terms of standardization, both domestic and international standards in order to increase aspects of the operation in order to accepted by the community.

- **Manpower**
  1. Conduct regular training for CDO and other relevant employees.
  2. Organize an annual CDO forum involving all sites, as a venue for sharing perspectives, experiences and lessons learned.
  3. Implementation of duties and building rapport with the local communities must be focused on the duties related to CD.
  4. CDO recruitment at ITM is carried out in a transparent and professional manner, where no personal interest is accommodated.

- **Money**
  1. All parties are not allowed to use CD funding for serving their own interest.
  2. The CD budget allocated for the Community Consultative Committee (CCC) adheres to the prevailing budgeting policy within ITM.

- **Management**
  1. All authorities in each site must allocate some time to interact and coordinate regularly with the communities.
  2. All CD programs must be carried out in an integrated manner.

COMMUNITY DEVELOPMENT POLICY AND PROGRAMS

We aim to apply a sustainability principle that embodies the Triple Bottom Line thinking (namely the balancing of the interests of the Planet, Profit, and People) in conducting our operational activities and in implementing our community development programs. This is to ensure that all programs are carried out as efficiently as possible. In carrying out our CD programs, we also take into consideration the provisions in the Company Law (Law No. 40) paragraph 74. And to ensure the correct alignment of our community development programs with our long-term development goal, we pay close attention to the recommendations stipulated in the Environmental Impacts Analysis (AMDAL) documentation and the government-endorsed Millennium Development Goals (MDG).

In addition, in the whole process of planning, implementation, and evaluation of our community development programs, we uphold good corporate governance principles. Our target, naturally, is to realize the Company's vision in becoming a respectable corporate citizen.

To ensure the attainment of the abovementioned goals throughout all the stages of community development (namely planning, implementation, and evaluation), we involve the local communities and are respectful of the prevailing local wisdoms. All the activities within our programs have been planned and developed specifically for each location through a bottom up mechanism mentioned previously, that is the Community Consultative Committee (CCC). This mechanism encourages the involvement of the government and surrounding communities. This is in line with the Community Involvement aspect as stipulated in the ISO 26000 Guidelines, and also refers to the framework and parameters designated through research carried out by independent external consultants.

Members of the CCC may propose programs that they consider important for the communities, and the programs that are subsequently chosen will be included in the Company's annual work plan and budget and reported to the Ministry of Energy and Mineral Resources.

Our community relations efforts are carried out intensively and simultaneously with the implementation of our community development programs, so that everyone involved will have the singularity of understanding in their support towards ensuring the success of ITM's operational activities. We have developed our community development programs by categorizing them into the following four pillars of activities, as follows:

1. **Economic Development**
   Aimed at improving the welfare of communities by providing access to capital and skill development, and by supporting local economic activities using resources available locally.

2. **Social Development**
   Aimed at improving the quality of life of communities by providing sufficient healthcare and educational facilities and also by encouraging the preservation of local culture.

3. **Environmental Protection**
   Aimed at improving the communities' awareness on the importance of preserving the natural state of their surroundings.
4. **Community Relations**
   Aimed at ensuring that ITM shares the same perception with the communities and other relevant stakeholders.

The above four pillars have been further expanded into six major programs, each dealing with different areas, i.e. local economy, education, healthcare, environment, community relations, and infrastructure development. These six groups of programs reinforce one another and work as a unity towards implementing ITM's corporate social responsibility in a sustainable manner.

We have devised a program to supervise and monitor the progress of our community development programs, both quantitatively and qualitatively. Progress reports are submitted electronically to an online network called the Community Development Management Information System (CDMIS), which collects and tracks the latest developments and progress from each of our operational sites. Currently, this system has been implemented at PT Trubaindo Coal Mining and PT Jorong Barutama Greston. This system assists the CD officers in preparing their monthly activity reports.

The parameters used as our indicators of success include the following: output, beneficial effects, capacity building, quality of planning, quality of implementation, emergence of spontaneous new (in particular economic) activities, and level of public participation. Success indicators may vary, depending on the objectives of each program. These parameters are assessed by our Community Development officers, who are responsible for preparing an annual report of ITM's Community Development initiatives and achievements, and are also reviewed by an external and independent consultant. With this, it is hoped that in the future the programs will be enhanced, a clear reflection of the PDCA (Plan–Do–Check–Action) system, which is espoused by ITM for its business development.

IMPLEMENTATION OF PROGRAMS

ITM through its subsidiaries own and operate 6 operational areas that extend across 3 provinces, 4 regencies and 1 town, 12 subdistricts, and 46 villages. Therefore ITM carries out community development activities In all these areas, with the intention of improving the quality of life of the surrounding communities. ITM prepares these communities to become self-sustaining socially and economically, and interacts on a daily basis with the locals and the relevant stakeholders on a continuous manner.

The following section provides a brief description of several Community Development Programs that ITM carried out in 2013.

PT Indominco Mandiri

As coal production from PT Indominco Mandiri is the largest contributor to ITM's current total coal output, the budget for PT Indominco Mandiri's CD programs remains the biggest compared to that of other subsidiaries.

PT Indominco Mandiri operates in 3 regencies, with 4 subdistricts and 10 partnership villages. Total budget allocated for CD programs of PT Indominco Mandiri that was disbursed throughout 2013 was Rp12 billion, covering three major aspects, namely local economic development, educational development, and community relations.

One of the programs of PT Indominco Mandiri continues to be the cultivation of golden melon, developed by a farmers' collective in Bontang Lestari. The number of trees cultivated by the farmers in Nyerakat Kiri Village was up from 2,000 trees to 6,000 trees, with production volume rising from 3 tons of golden melon to a staggering 11 tons. In addition, the number of watermelon trees cultivated by the farmers' collective in Bontang Lestari rose from 4,000 trees to 7,000, with yield up from 4 tons to 9 tons. In line with this, a considerable amount of work opportunities were created for the local people.

PT Indominco Mandiri developed snack products that are characteristic of its partnership villages. This effort was done in collaboration with Home Industry Indominco Mandiri (HITIM), and resulted in the

development of a number of promising potentials from the villages, namely instant ginger drink, borneo glass fish, amplang crackers, and banana crackers. As a result, the potential of the villages of Santan Ilir, Pulau Selangan, Kandolo, Suka Rahmat, Suka Damai, and Bontang Lestari have also been enhanced. Furthermore, through HITIM, ITM initiated the HITIM Mart, a minimarket for local products and daily grocery for families. As a testament to the program's success, as many as 70 housewives now have products sold at this mart, helping to increase their household income.

The Community Learning Center (CLC) program of PT Indominco Mandiri, which initially was developed as Malahing CLC, was expanded into Damai Mandiri CLC established in Suka Damai. The program, which gained support from the Director General of PAUDNI at the Ministry of National Education of the Republic of Indonesia, has successfully improved the locals' potentials in socioeconomic and cultural terms. This program marries formal education with creative activities, training, and understanding of local wisdoms, including women empowerment and entrepreneurship. In 2011, 42 people graduated from this program, whereas in 2012 there were 135 graduates, and in 2013 the figure rose to 187.

As proof of ITM's concern for the protection of the environment, in 2013 PT Indominco Mandiri continued to plant mangrove seedlings along the coastline of Bontang Lestari, East Kalimantan. The activity was supported by all parts of the society, including students, young people, mothers, the Armed Forces, and the Police Force. The total number of trees planted throughout the period of 2009 to 2013 was 375,000.

GOLDEN MELON CULTIVATION

The golden melon cultivation remains one of PT Indominco Mandiri's top CD programs. First established as a pilot project in the Bontang Lestari Village involving the Kelompok Tani Sukses Bersama (KTSB) farmers' collective, the golden melon plantation has been substantially expanded, with many other farmers' groups in nearby villages following suit.

ITM supports the development of golden melon cultivation by providing the high-quality seeds, providing training, comparative studies, and guidance to the farmers' collective. ITM even established the Bontang Melon Growers Association.

Mass harvesting of golden melons has now become a regular event. The availability of golden melons in the market all year long has successfully reduced the locals' dependence on supply from Java.

Marketing of these golden melons has been increasingly expanded, and now the supply has been able to satisfy the demand from PT Indominco Mandiri, local fruit sellers, town markets, and business partners namely PT Anugerah Jasa Caterindo, Hotel Sintuk Bontang, and Ramayana Supermarket in Bontang Municipality. This program has shown its contribution to improving the wellbeing of the farmers' collectives under PT Indominco Mandiri's guidance, as well as other farmers, in the area.

PT Jorong Barutama Greston

PT Jorong Barutama Greston is located in Tanah Laut Regency, South Kalimantan. This subsidiary will cease its operations in the near future, and as such, the single biggest challenge of its CD programs is to yield as substantial a long term impact as possible on the programs' beneficiaries.

Through its CD programs, PT Jorong Barutama Greston strives to promote the characteristics of each of its partnership villages, an approach known as one village one product. Using its CD funding of Rp587 million for 2013, PT Jorong Barutama Greston has contributed significantly to the society in the mining circle through both short- and long-term programs, such as infrastructure development, scholarships, economic development, and sociocultural assistance.

The CD programs of PT Jorong Barutama Greston that are expected to bring a lasting impact on the society and also easy to implement are the cultivation of oyster mushroom, chicken coop, and bokashi organic fertilizer.

The oyster mushroom cultivation, for which the market potential in Tanah Laut remains huge, has received the focus for development through ITM's collaboration with Nurul Hijrah Islamic Boarding School in Alur Village. Initially this program was launched in the village of Jorong in 2012. In 2013, this program was implemented in three other villages, namely Alur, Asam-Asam and Karang Rejo. This program also provides training in collaboration with Lambung Mangkurat University (UNLAM). Participants are also taught to make various food products based on oyster mushroom, namely snacks, pudding, dumplings, and nuggets.

PT Kitadin

- **Location Embalut**

  PT Kitadin Embalut is a site with a mining concession area of around 2,000 hectares, located in Kutai Kartanegara. Its production capacity in 2013 was 1 million tons, and its budget for CD programs in 2013 was Rp1 billion. As much as 37% of the budget was distributed for economic programs, where the CD team of PT Kitadin Embalut cooperated with the Office of Farming and Fishery to develop an integrated farming system and cow farming business.

  Certain economic programs that have long-term impact and have been developed by PT Kitadin Embalut are cattle farming (for meat), chicken coop, fishery, and integrated farming. For its chicken coop program in 2013 PT Kitadin Embalut received the Gelar Karya Pemberdayaan Masyarakat (GKPM) Award from the Ministry of Public Welfare. Previously, in 2012, PT Kitadin Embalut also received similar award for its cattle farming program.

CATTLE FARMING INITIATIVE IN MINE CLOSURE AREAS

The cattle farming initiative in mine closure areas belonging to PT Kitadin Embalut has been carried out since 2002 by groups of farmers under the nurture of PT Kitadin Embalut. In the subsequent years, the number of farmers' collectives grew and began to attract other farmers (those who are not under the nurture of the subsidiary) in 2009-2010.

The patterns that are developed through this initiative was one-roof cattle farming, group management, and time-alternating cattle foraging. Such a system allows for easy supervision and maintenance. Cattle supply subsequently increased and currently has been able to fulfill the vision of East Kalimantan Province of attaining self-sufficiency for meat.

Cow dung is also used as organic fertilizer that helps revitalize the condition of the mine closure areas, making the soil more fertile for other productive plants as well as for greenery.

These farmers' collectives have obtained the support from the government (in this case the Office of the Indonesian Ministry of Agriculture and the Office of Farming of Kutai Kartanegara Regency), as well as training support from ITM.

This cattle farming initiatives brought two-pronged benefits, namely in increasing the income of the six farmers' collectives involved in the initiatives, by 100% to as high as 400%, and in restoring soil fertility through the use of the organic fertilizer around the farming areas.

In its fishery program, as many as 59 groups have been formed, 2 more from the previous year. The number of woven fish traps in 2013 reached 1,495 units. The chicken coop program has succeeded in increasing the number of chicken harvested by the four farmers' collectives to 164 thousand chicken, up 2,000 chicken from the previous year. The net income of this chicken coop business for the year was estimated to be Rp534 million, or around Rp133.5 million per group.

- **Location Tandung Mayang**

  PT Kitadin Tandung Mayang is located in Kutai Timur and has a coverage area for community development that is similar to that of PT Indominco Mandiri, i.e. Teluk Pandan Village. For its long-term impact programs, PT Kitadin Tandung Mayang opted to develop duck farming business as it is in line with the need and custom of the local society. In addition, the supply of feedstuff for these ducks in Teluk Pandan Village is abundant. On average, each group collects a revenue of Rp6.9 million, translating into Rp600,000 per member.

  PT Kitadin Tandung Mayang also provided training for machinery operators and mechanics. In 2013, two training sessions were held, involving a total of 36 participants, consisting of 22 operators and 14 mechanics.

PT Trubaindo Coal Mining

PT Trubaindo Coal Mining is located in Kutai Barat and is one of the largest sites of ITM. It covers 20 partnership villages across three subdistricts. With a CD funding of Rp7.2 billion in 2013, PT Trubaindo Coal Mining conducted 120 community development programs encompassing five major areas, i.e. economy, social,

infrastructure, health and education. For its infrastructure-related and community relations activities, in 2013 PT Trubaindo Coal Mining disbursed 52% of its total CD budget, while allocation for its economic programs was around 25% of the total budget.

Some of the long-term impact programs undertaken by the CD team of PT Trubaindo Coal Mining are watermelon cultivation and freshwater fishery in floating nets. Based on the evaluation of the CCC and the CD officer, it has been revealed that there is a huge demand for watermelon in Kutai Barat area. Currently, the type of watermelon that is cultivated is a local one with an average weight of 5-7 kg. There are 12 farmers divided into three groups that are taking part in the program. In developing this watermelon cultivation program, PT Trubaindo Coal Mining maintains a cooperation with the related governmental institution, Disbuntakan Kutai Barat, especially for the training and monitoring by the designated field officers.

The floating-net fishery is currently being developed in Empakuq Village, with about 17 personnel working in two different farmers' collectives. An open market and a huge potential in fishing have made this program a highlight of PT Trubaindo Coal Mining's Community Development initiatives.

PT Bharinto Ekatama

PT Bharinto Ekatama retains a mining concession in two regencies, namely Kutai Barat and Barito Utara, with a total of five partnership villages. Fund alocated for its CD programs in 2013 reached Rp1.35 billion. The largest proportion was allocated for education, totaling Rp578 million (44%).

Community education programs undertaken by PT Bharinto Ekatama covers scholarships for nurses, skillset training for young people, and scholarships and training opportunities for teachers. PT Bharinto Ekatama has also initiated a germplasm conservation program that involves local communities. As a result, at least 100 different orchid species have been collected and conserved by a number of groups in the partnership villages. In addition, PT Bharinto Ekatama is actively engaging contractors to participate in community development initiatives, among others in the catfish cultivation in Benangin Village, rubber cultivation training, and engine maintenance training.

Mining Closure Plan of PT Jorong Barutama Greston

As part of its mining closure plan, PT Jorong Barutama Greston has instigated and supported a number of mining closure preparation programs throughout 2013. The latest development of this plan has been the cooperation between it and UNLAM to disseminate a new community development and empowerment program, consisting of a number of initiatives, such as the execution of strategic efforts for one full year through the cultivation of specific types of poultry and local plantation, and also the restoration of habitat for rare plants. The memorandum of understanding for this program was signed by both parties on 23 November 2013.

FUNDING ALLOCATION

For all its Community Development initiatives carried out by its six subsidiaries, ITM disbursed a total of Rp23.10 billion. Details of expenditures in each area by subsidiary are provided in the below table:

Area	EMB	JBG	TCM	IMM	BEK	TDM	Total
Economy	338,978,000	205,973,000	1,756,425,000	2,712,400,128	202,568,743	522,092,000	5,738,436,871
Education	136,323,400	167,484,000	70,850,000	1,911,268,800	578,032,332	18,100,000	2,882,058,532
Health	14,875,000	23,040,000	75,000,000	1,186,723,296	38,248,000	83,500,000	1,421,386,296
Social, Health, Culture, Religion	135,815,000	117,000,000	312,800,000	880,495,776	205,084,000	224,600,000	1,875,794,776
Environment	24,357,000	17,500,000	243,000,000	1,074,073,248	73,168,000	44,775,000	1,476,873,248
Infrastructure	320,059,424	30,500,000	3,738,025,184	1,390,990,752	-	33,500,000	5,513,075,360
Relationship Community and Donation	32,623,000	26,500,000	997,586,000	2,910,270,960	217,986,770	10,000,000	4,194,966,730
TOTAL	1,003,030,824	587,997,000	7,193,686,184	12,066,222,960	1,315,087,845	936,567,000	23,102,591,813

AWARDS

The various community development programs of ITM's subsidiaries in each area has earned the accolades from a number of parties, both internally as well as externally. The following table presents the awards received by ITM's subsidiaries alongside the categories and activities for which the awards were given.

Subsidiaries	Award	Category	Activity
PT Indo Tambangraya Megah	*Social Business Innovation Award*	*Special Achievement for Community Development Recovery Initiative*	Creating sustainable business Community Development through in ITM entire operating site
PT Kitadin (Embalut)	Community Empowerment Achievement - Gelar Karya Pemberdayaan Masyarakat (GKPM) Platinum	Community Employment Creation	Development of chicken farms in the mine closure land in Kutai
PT Kitadin (Embalut)	GKPM Gold	Field Level Community	Bambang Kawuryan
PT Indominco Mandiri	GKPM Gold	*MDG Goal 1* - Economic Empowerment Board	Development Cooperative Enterprises (Koperasi Serba Usaha) in Bontang and East Kutai
PT Indominco Mandiri	GKPM Gold	*MDG Goal 2* – Advancing General Basic Education	Community Learning Center in Bontang and East Kutai
PT Indominco Mandiri	GKPM Silver	*MDG Goal 5* - Participation Maternal Health Care and Childbirth	Mothers Program for Maternal and Health Nursing
PT Indominco Mandiri	GKPM Silver	*MDG Goal 7* - Planting Trees in the Land of Non-productivity	Planting mangroves in coastal areas in Bontang
PT Jorong Barutama Greston	GKPM Silver	*MDG Goal 7* - product Recycling	Developement Bokashi Organic Fertilizer in Sea land

6 PRODUCTS AND SERVICES

ITM's main product is coal. To maintain product quality in accordance with contractual clauses, ITM analyses the coal at every stage, from the beginning, at the start of exploration, through production, the handling process to pre-shipment. The analysis documents regarding the type and quality of the coal accompany the delivery process and are issued and verified by an accredited third party, until they reach the consumer.

Handling coal requires a large area and heavy equipment for its transportation. Therefore, ITM applies standard, accredited health and safety procedures to ensure the whole loading and transportation process does not cause any health issues for operators or the local communities.

In line with general practices, we do not specifically package the coal. The Company regulates the distance between the loading area and the closest residential area in accordance with health standards, while the size of the coal pieces is regulated in stages throughout the loading process to reduce the amount of fine dust during the transportation process. To reduce the impact of dust during transportation, at the stockpile area and along the transportation routes around the mine, water is sprayed regularly.

Coal does not decompose easily (non-durable goods), thus an assessment of health impacts from handling coal has not been carried out based on the product's life cycle, but for a specific period consistent with ISO standards provisions and OHS reference.

Compliance with operational standards, production procedures, transportation methods and delivery, with regular monitoring at every point the coal is moved, means that during the reporting period there have been no complaints from customers related to violations of rules or ethics on the health impacts of ITM's products.

PRODUCT MANAGEMENT AND QUALITY CONTROL

ITM applies Coal Handling Procedures as a standard procedure to maintain product, involving recording coal quality, stockpiling, blending and loading. The Company handles coal in accordance with ISO 9001:2008 Quality Management Standards to ensure the quality and supply of coal to the consumer. Handling in accordance with standards means the following:

- Stockpile management
  Managing stockpiles of coal resulting from production and blending in accordance with quality classification, calories and consumer demand.

- Quality control
  The company maintains the quality of its production through a tight quality control mechanism at each stage of production. The quality control process is based on the ISO 9001:2008 Quality Management Standards. With this system, ITM conducts sample tests to ensure the quality of the coal being mined in the mine stockpile area and at the port prior to loading onto the barge/ship.

- Loading
  ITM cooperates intensively with shipping companies for the hauling process to transport the product from the mine to the jetty to be loaded onto the barges, or transported by land to the loading port. This whole process chain is now supported by an information technology application, Supply Chain Management System (SCMS), designed and developed especially to support ITM's operational activities.

  The Company has a quality control policy and complies with all relevant rules and legislation to satisfy customer demand. All product dispatched always refers to the consumer's demand specifications and blending is carried out, if necessary, to meet the requested quality specifications.

The quality test results are always sent to the consumer. Through this transparent quality testing process, the consumer knows the product quality and quantity of coal it will receive from the mine to the loading port.

CUSTOMER SERVICE

ITM has developed a Customer Complaint Center to receive questions and complaints from the public and from customers. This was done to reflect the Company's realization of the importance and benefit of fulfilling quality standards and protecting customers for all products produced. Both of these have a significant influence on the growth of sustainable business performance.

The Company has made this complaint service available by phone, email and letter. The Company always prioritizes the principles of transparency and responsibility in providing customer service, to meet its commitment to providing the best service to customers, providing a quick response to various customer requests and complaints as part of its service commitment, and maintaining customer confidentiality. Therefore, during the reporting period, there have been no financial fines or other sanctions related to violations of customer confidentiality.

ITM coordinates various efforts to ensure product quality to comply with consumer demand, in accordance with stipulations in purchase contracts and product specifications in marketing brochures and marketing presentation materials (marketing kit).

G4-DMA G4-PR5

To ensure the process runs as planned, the Company holds routine monthly meetings, namely planning coordination meetings. Broadly speaking, the meetings discuss the supply chain performance, such as sales targets, production targets, transporting targets and quality targets.

During the 2013 reporting year, the Company handled 3 (three) complaints from customers related to quality not being as expected.

ITM carried out an assessment and followed up the complaints and implemented corrective measures. The purpose is, to ensure that similar problems do not occur in the future.

In order to maintain customer loyalty, the company implement a classification system based on the principle of the following criteria:

Platinum
1. ≥ 10 million Gross Profit USD/Year (Average 5 Years). 2. Continuous Buy during 2009-2013. 3. No Loss in any year during 2009-2013. 4. ≥ 10 USD/ton Gross Profit. 5. ≥ 500 k TOn/year (Average 5 Years). 6. Non - Trader (Power Operators).
Gold
1. ≥ 1 M Gross Profit USD/Yr (Average 5 Years). 2. Maximum loss for one year during 2009 - 2003. 3. ≥ 5 USD/Ton Gross Profit (@10% IRR before Tax). 4. ≥ 100 k ton/year (Average 5 years). 5. Non - Trader (Power Operator).

The main customers (Platinum) continues to grow from year to year. In 2012, about 9 companies received platinum and the gold criteria received by 29 companies. In 2013 the Gold received by 14 companies and the Gold received by 24 companies.

MARKETING AND PROMOTION

Given that the Company's customers are basically corporate institutions, marketing and promotion are conducted directly. ITM has a marketing approach that builds a common perception on the benefit of mutually beneficial, long-term relationships.

To build trust, in addition to holding presentations and gatherings, ITM invites and accompanies customers and prospective customers to visit the mine sites directly, as well as the supporting facilities, such as loading port, jetty and docks. Meanwhile, ITM also approaches prospective buyers directly, including making working visits to power plants owned by prospective buyers to ensure their feasibility and environmental conservation efforts in conducting operations.

Through this intensive approach, the Company's total coal sales volume in 2013 was successfully increased by 6.9% to 29.1 million tons, up from 2012 sales of 27.2 million tons. These sales consisted on 3.2 million tons on the domestic market and exports of 25.9 million tons.

To support and improve the effectiveness of marketing, ITM holds an Evaluation Meeting and involves all parts of the production and sales supply chain on a routine basis. The Evaluation Meeting discusses developments in coal market conditions, consumer demands, as well as obstacles to production in the field and the transportation process, which could impact on sales volume. The results of these discussions are then used as a basis to determine optimum production plans and sales strategies.

MAINTAINING CONSUMER CONFIDENTIALITY

To date, there has never been a customer complaint related to customer privacy violations. ITM has implemented a system to protect customer privacy, including making use of a clause in the Confidentiality Agreement in the sales contract master with the customer. To the date of this report, there has been no violation of this agreement.

FINANCIAL IMPLICATIONS RESULTING FROM CLIMATE CHANGE

ITM realizes there are financial implications from climate change for the company's business. Extreme weather conditions at various mine sites can have a detrimental effect and cause rising operational costs due to excess water, causing heavy equipment to perform at a less than maximum level. ITM has also mitigated such risks through detailed mine plans that include drainage systems and pumping systems, the performance of which is monitored at all times.

ITM has responded to global climate change concerns by constructing Mulut Tambang (mine mouth) steam-driven power plant. With the development of this power plant, the CO2 resulting from coal transportation during the production process can be minimized. ITM has also replaced the role of its dump trucks to transport coal relatively short distances. Electricity generated by the Mulut Tambang power plant is used to power the conveyor belt system to transport the coal from the mine to the port stockpile area and load it onto the barges/ships.

Through the use of this conveyor belt system, in addition to operational costs being more efficient, the environmental impact from exhaust gases being emitted by dump trucks will also be reduced.

ITM is aware that the practice of good corporate governance (GCG) can help the company realise its vision and mission to become an exemplary corporate citizen and a world-class mining company. A strict application of GCG plays a significant role in ensuring a company obtains maximum benefit, which later, of course, is beneficial for all shareholders. The practice of GCG strengthens a company's internal conditions, improves performance, improves risk management and, finally, enhances its reputation as a winning company.

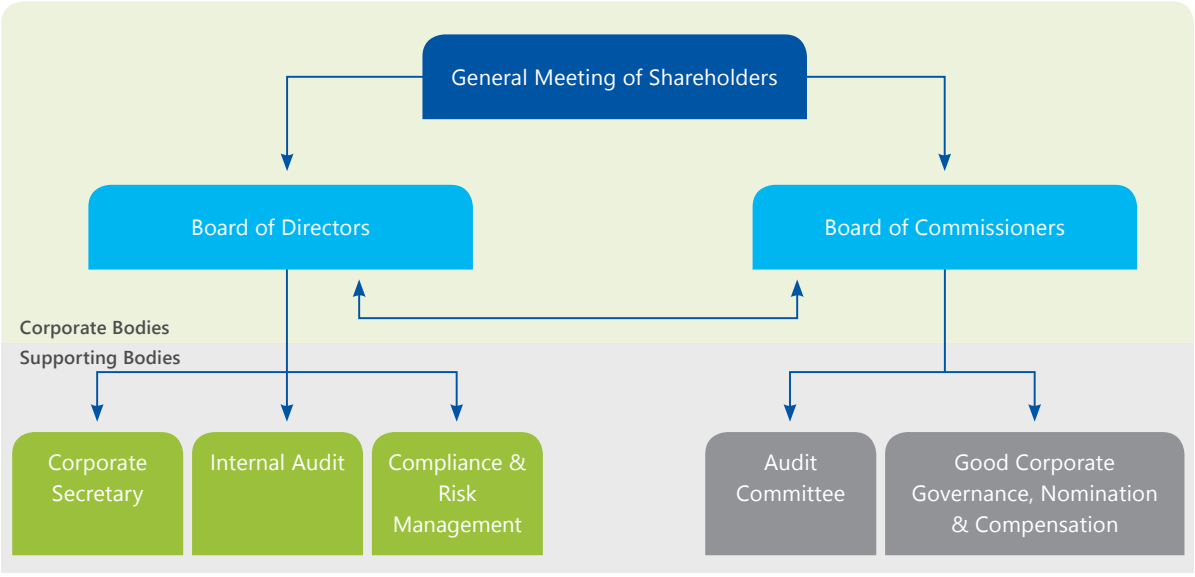
On the basis of the above considerations, ITM is committed to incorporating GCG principles and best practice, as recommended for open companies. In the same context, we are also committed to complying with all the rules, regulations and guidelines relating to the capital market together with all the regulations issued by the Financial Services Authority (OJK) and Self-Regulatory Organisations (SROs). Furthermore, ITM strives to achieve international standards along with best practice in adopting and applying GCG principles, through the implementation of various improvement programs as set out in the GCG Implementation Roadmap.

GOVERNANCE STRUCTURE

The structure of ITM's governance illustrates the interaction between the company's main organs, comprising the General Meeting of Shareholders (GMS), the Board of Commissioners and the Board of Directors, and its support organs that include the Commissioners' committees. This governance structure shows two entities resposible for implementing the company's operational management, as is common in Indonesia. This structure confirms a commitment to independence within each company organ in carrying out its functions.

Independence is indicated by the role of each main organ; one of the organisation's main organs acts as supervisor, while the other main organs act as operational executors. Both act on the authority accorded by the GMS as a main organ that occupies the highest position in the company. Furthermore, the two other main organs (the Board of Commissioners and the Board of Directors) are assisted in exercising their respective authority by support organs, which consist of the Committees for the Board of Commissioners and Organisational Tools for the Board of Directors.

GOVERNANCE STRUCTURE



GENERAL MEETING OF SHAREHOLDERS (GMS)

The General Meeting of Shareholders (GMS) is the highest organ in ITM's governance structure. The GMS, which operates based on the intent of its implementation, consists of an Annual General Meeting of Shareholders (AGMS), which routinely discusses an agenda once a year, and an Extraordinary General Meeting of Shareholders (EGMS), which discusses issues outside the routine agenda. An EGMS is held as and when needed.

The GMS is a forum in which shareholders act on an equal footing to make important decisions relating to capital that has been invested in the company. The GMS is also a forum where shareholders make significant decisions on the management and development of ITM's business. Through the AGMS and EGMS, shareholders can exercise their right to offer their opinions and vote in making decisions concerning operational results, future development plans and even a change in company management. As with the GMS, all shareholders – both major and minor - occupy positions of equal standing.

The GMS is used to evaluate the performance of the company's management team, namely the Board of Commissioners and the Board of Directors, by observing and studying the achievement of predetermined performance targets as reflected by Key Performance Indicators (KPI). In general, KPI are established with clear quantitative and qualitative targets derived from company performance measures in economic, social, environmental and occupational health and safety areas, including other parameters such as responsibility for customers, compliance with rules and regulations, the perception of ITM among capital market investors and so on.

POSITION OF BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

As company executives, the Board of Commissioners and the Board of Directors have differing duties and authorities that are appropriate to their respective functions, as stipulated in the Articles of Association and applicable legislation. The Board of Commissioners (BoC) acts as a supervisor and monitor of the implementation of all GMS decisions, while the Board of Directors (BoD) acts as the executor of all those GMS decisions. Both entities have fiduciary responsibility. As each function must be independent, ITM asserts the impartiality of each executive member so as to avoid any interference by the Board of Commissioners in operational affairs that are within the purview of the Board of Directors.

In order to guarantee supervisory independence, ITM provides for the presence of independent members on the BoC, with Independent Commissioners making up at least 30% of the board's total members. These Independent Commissioners must ensure they have no business relationships or any other relations with companies that could affect their authority.

Members of both the Board of Commissioners and Board of Directors are elected, appointed and dismissed by the GMS. The election of Board of Commissioners and Board of Directors members is preceded by an eligibility test and a competence test in all areas, including social, economic and environmental fields, which are carried out by an internal team that is specially formed for the purpose and is independent. Recommendations produced by this internal team are submitted to the GMS for voting and decision-making.

Determining and Evauating Remuneration for the BoC and the BoD

Every year, the Board of Commissioners and the Board of Directors have to submit reports on the execution of their operations and responsibilities before the GMS. During the submission, the various successes and challenges faced by the BoC and the BoD in carrying out their respective tasks and responsibilities are evaluated. The evaluation basically covers the company's performance parameters achieved in social, economic and environmental areas. The results of the evaluation become the basis for determining the remuneration and continuing tenure of each member on the BoC and BoD.

The performance evaluation parameters, or KPI, are reviewed and set against each individual operational period or term in office, and are accounted for at the GMS. Each member on the Board of Commissioners and Board of Directors is elected and serves for a three-year period, after which time they can be re-elected.

The remuneration for members of the BoC and BoD is designated based on balancing tasks and responsibilities along with performance, market feasibility and company capacity. Every member on the Board of Commissioners receives a monthly honorarium and particular benefits as well as an annual

bonus based on ITM's achieved performance, which is determined in the GMS. Meanwhile, members on the Board of Directors receive monthly salaries and other benefits as well as an annual bonus based on ITM's performance and achievement. Tax liabilities on the BoC and BoD annual bonuses are borne by each member.

Members of the Board of Commissioners and Board of Directors also receive facilities and position benefits such as vehicle/transport allowances, housing allowances, communications allowances, membership of clubs/professional associations, legal representation, healthcare, insurance, holiday allowances and representation allowances.

ITM assigns the Corporate Governance, Nomination and Compensation Committee to draw up recommendations for the remuneration of members of the BoC and BoD. In carrying out this task, the committee can seek input from an independent consultant that acts as a resource and is responsible for conducting a remuneration survey of the labour market regarding similar positions and job responsibilities.

BOARD OF COMMISSIONERS

The Board of Commissioners is responsible for supervising and monitoring ITM's operational activities, ensuring that business is managed in such a way as to promote the interests of shareholders and is pursued within an ethical framework that considers all relevant shareholders. In carrying out its tasks, the BoC is guided by the Board of Commissioners' Charter, which came into effect in 2009 and contains explanations on areas including the following:

1. Tasks and Responsibilities of the Board of Commissioners.
2. Provisions on the Composition and Tenure of the Board of Commissioners.
3. Provisions on the Independence of Commissioners.
4. Function, Position and Requirements of Independent Commissioners in the Composition of the BoC.

ITM's BoC currently has six members - led by a President Commissioner - two of whom are Independent Commissioners. Thus, the percentage of Independent Commissioners within the composition of the BoC totals 30%, meaning that the composition of the Board of Commissioners meets the minimum requirement as stipulated in the Law on Limited Companies.

In carrying out its supervisory duties, the BoC submits an accountability report on the performance of the Board of Directors relating to the latter's execution of the company's management. The BoC's Accountability Report will be reflected in the approval of the Annual Report and endorsement of the company's financial statements by the Annua General Meeting of Shareholders AGM. The accountability report also includes performance reports in economic, social and environmental areas. AGM approval of the annual report and the company's financial statements will completely exempt members of the Board of Commissioners as long as their actions are reflected in the annual report.

The Board of Commissioners is assisted in executing its tasks by two committess that are formed by and responsible to the BoC. These committees are the Audit Committee and the Corporate Governance, Nomination and Compensation Committee. A complete description of the functions and duties of each of these committees can be found in ITM's Annual Report 2013.

BOARD OF DIRECTORS

The Board of Directors is tasked and fully responsible collegially for managing the stewardship of ITM's interests in accordance with the founding intent and objectives of the company, namely to maximise all the resources it possesses. In carrying out its duties, the BoD is required to comply with statutory provisions, achieve company targets, obey the Company's Articles of Association and execute GMS decisions in good faith and maintaining shareholders' short-term and long-term interests as well as all regulatory provisions, including those of the Indonesia Stock Exchange (IDX) and Financial Services Authority (OJK).

In executing its tasks, authority and day-to-day responsibilities, ITM's BoD is guided by the Board of Directors' Charter of 2009, which was updated in 2011. The charter stipulates various things such as the following:

1. Tasks and Responsibilities of the Board of Directors.
2. Provisions on the Composition and Tenure of the Board of Directors.
3. Provisions on the Independence of Directors.
4. Function, Position and Functional Tasks in the Composition of the BoD.

The BoD is also guided by a variety of detailed and relevant provisions regarding the duties, authority, responsibilities and obligations of ITM's Board of Directors.

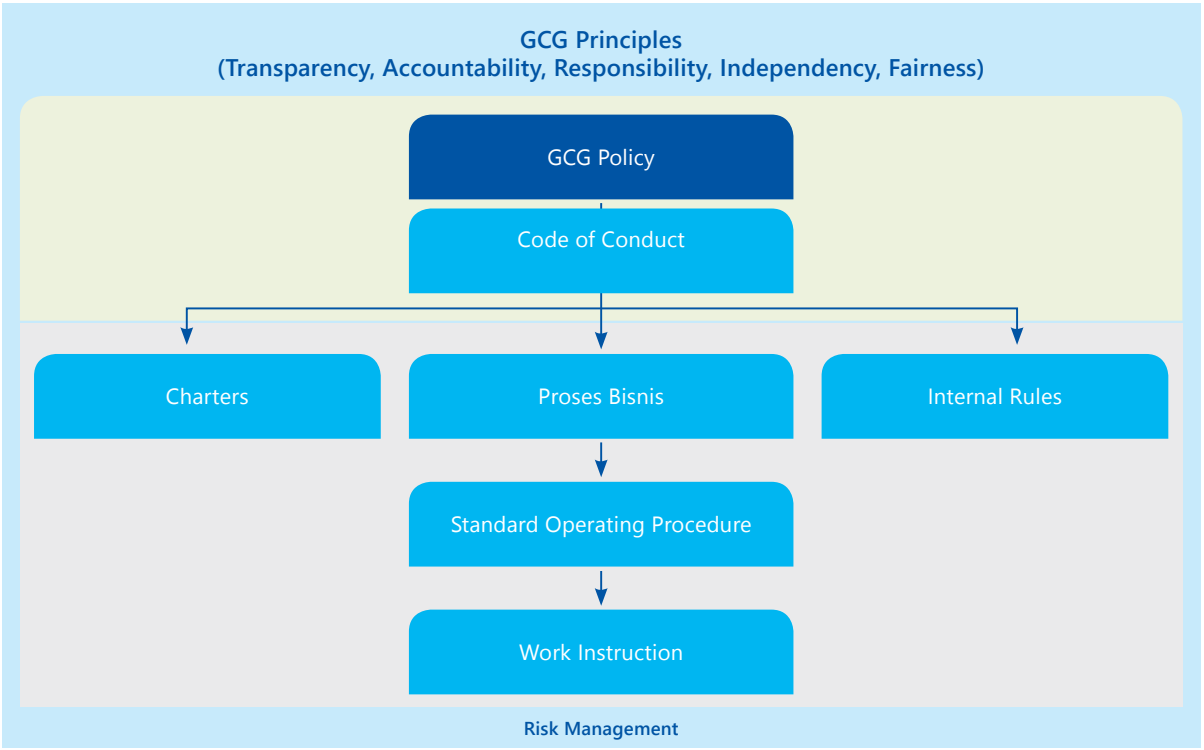
ITM's Board of Directors currently has six (6) members, who are led by a president director.

In each period of the implementation of its operational duties, the Board of Directors submits to the AGM an accountability report in the form of an annual report that includes operational activities, covering performance achievement in economic, social and environmental areas, the implementation of GCG and the company's financial statements for approval and ratification. The BoD's accountability report will be reflected by the AGM' approval of the annual report and company financial statements, which will exempt members of the BoD as long as their actions are reflected in the annual report.

The performance of the Board of Directors is conducted once every half year with reference to the Key Performance Indicators (KPI), which are based on Long-Term Targets (SJP) and One-Year Targets (TST) for the current year that are aligned with the company's mission and vision. Other factors that are assessed include economic, social and environmental performance, as well as compliance with best practice and ethical policies.

CORE GOVERNANCE POLICY

ITM has a GCG Policy, which consists of a series of codes of ethical conduct for conducting business and interacting both within the company and with external entities. The GCG Policy, which was compiled to uphold five main principles in the application of best governance practice, covers all the company rules that are in force, including charters (Board Charters, Audit Charter, Committee Charters and so on), the Code of Conduct, Business Process as well as SOPs and Operational Guidelines, as illustrated in the following diagram.



The main corporate governance policy, according to content points on the entire series of rules, is as follows.

Upholding Business Ethics

ITM promotes ethics in conducting business, as indicated in the contents of the Board Charters, which state that members of the Board of Commissioners and Board of Directors must comply with provisions concerning:

- **Insider information**
  Members of the BoC as well as members of the BoD are prohibited from misusing material information relating to company business for their own personal interests or those of their families or any other third party.
- **Confidentiality**
  Members of the BoC and the BoD must safeguard confidential information about the company, especially internal information that can affect the company's business and share price.
- **Anticorruption**
  Members of the BoC and BoD must distance themselves and are prohibited from accepting gratuities or taking personal advantage of company business relationships with third parties.
- **Conflcts of interest**
  Members of the BoC and BoD who have a potential conflict of interest concerning a particular issue are asked to leave meetings when the issue in question is being discussed.

Performance-Based Remuneration

ITM applies a policy of offering performance-based remuneration to ensure that all employees at every level work to the best of their ability. Promotions and rising levels of remuneration will match the results of performance assessments, namely predetermined individual and team KPI.

Overall, ITM sets a minimum increase on basic wages to meet the annual level of inflation or according to the company's capacity and conditions. Increases in allowances and general incentives are appropriate to the basic wage of each position category. Meanwhile, the scale of accumulated performance-incentive bonuses is stipulated in the GMS, together with a determination of performance-related annual bonuses for members of the Board of Commissioners and Board of Directors.

Internal Supervision and Control

ITM is developing an internal control system that can function effectively to safeguard company investments and assets from irregularities. The entities responsible

for internal supervision and control are the Internal Audit (SAI) and the External Auditor.

In order to increase the capacity of SAI staff, they are included in training and competence enhancement programs on a regular basis so that their knowledge and expertise continues to improve. This reflects ITM's efforts to equate itself with international-standard practices.

Risk Management

ITM is developing an integrated risk management system at the corporate level by including each work unit. Risk Management development is part of ITM's long-term strategy to form a special work unit that identifies, manages and mitigates risk in a systematic way, in accordance with risk management standards as a reference.

ITM's Risk Management process is structured, systematic and repeated to improve the performance of the company's risk management, which is sustained by a working focus to further increase the intensity and quality of risk management to guarantee ITM's continuing business and improved performance.

INTERNALISATION AND INTEGRATION OF GCG

ITM has devised and is pursuing various programs to improve the implementation quality of GCG best practice. These programs are collectively known as the GCG Implementation Roadmap, which consists of three phases and forms the company's long-term guidelines in pursuing its aim to become the best in governance. The Roadmap is based on GCG Guidelines issued by the National Committee on Governance Policy, and refers to the Law on Limited Companies, legislation and other guidelines published by the Financial Services Authority (OJK) and Self-Regulatory Organisations (SROs), as well as other GCG references and best practice standards.

The Roadmap comprises three phases, namely:

- **Phase 1**
  Fulfil all regulations and provisions, both compulsory and non-compulsory.
- **Phase 2**
  Become a company that is managed effectively (both in business processes as well as integrated risk management).
- **Phase 3**
  The ultimate aim is to become an exemplary, ethical corporate citizen.

In order to ensure the achievement of these goals, every year ITM implements a number of GCG internalisation activities. In 2013, these activities included:

1. Implemented a Corporate Governance (CG) writing competition.
2. Campaigned for GCG internalisation.
3. Established a Transparency Centre.
4. Performed Independent Whistle Blower Centre updates.
5. Conducted a survey to measure CG understanding.
6. Published CG Tips on the company's intranet; and
7. Supplied a CG portal.

INTERNALISATION OF CODE OF CONDUCT AND CORPORATE CULTURE

ITM has fed its Banpu corporate culture values into the rules of the Company's Code of Conduct, which contains various principle provisions including the following.

Compliance with the Code of Conduct

Every year, ITM employees sign a commitment statement that declares that they promise to adhere to the values and the Company's Code of Conduct. All of ITM's Commissioners, Directors and employees are required to comply with the Company's Code of Conduct to ensure the execution of fair and balanced relations with all stakeholders.

Responsibility towards Shareholders

Shareholders are the owners of this business and ITM has an obligation to create long-term values that are sustainable for them. All levels of ITM employees are required to do their utmost to develop the business while creating valuable investment returns for the shareholders in a sustainable manner.

Compliance with Laws and Regulations as well as Related Provisions

ITM is committed to adhering to all prevailing laws, regulations and provisions.

Conflicts of Interest

ITM has established a rule that all ITM personnel are prohibited from taking personal advantage beyond what is considered their rights and obligations based on their working relationship with the company, which includes the obligation to avoid any private transaction that could give rise to a conflict of interest with the company.

Protection of the Company's Wealth and Assets

Staff at all levels of ITM must be efficient and responsible when utilising company resources and assets, as well as caring about the company's interests in order to improve corporate competitiveness and to provide the best service to customers.

Use of Computers and Information Technology (IT)

We must be aware of and comply with all laws, including the Information Technology and Electronic Transaction Law, which contain policies and procedures that are applicable to information networks and systems.

All computers, information technology and information facilities, as well as data relating to operations, are owned by the company. We may not use computers or any other information technology facilities that are owned by the company for personal interests.

We may not disclose user identities or passwords that are used to access the company's information system, and so on.

Anti-bribery and Anticorruption

Employees at all levels of ITM have a commitment to conduct business honestly and ethically, and acts of corruption and bribery will not be tolerated, as stipulated in the code of conduct guidelines on anti-

bribery and the banning of accepting gifts, gratuities and entertainment.

Policy and Practice towards Customers

Customer satisfaction is very important for the success of the company, so ITM intends to respond to customer queries effectively and efficiently, and to continue to improve that response in a sustainable way. The policies and practical guidelines are as follows:

Policy and Practice towards Trading Partners and/or Creditors

ITM has a policy to treat its trading partners and/or creditors in a fair and equal manner by considering the company's interests and promoting mutual benefits for the parties involved. In addition, the policy is also intended to avoid a situation that could give rise to a conflict of interest.

Occupational Health and Safety and the Environment

ITM is committed to conducting its operations with the prioritising of good occupational health, safety and environmental conditions.

Corporate Culture

Corporate culture comprises values and a philosophy that have been agreed upon and are trusted by all ranks of ITM as a foundation and reference for ITM to achieve its goals. ITM has adopted corporate cultural values, namely Banpu Spirit, which is defined by four principle elements: Innovation, Integrity, Care and Synergy (see the section "About ITM").

WHISTLE-BLOWING SYSTEM

Aware of the importance of having a whistle-blowing system to support the implementation of GCG practice in the company, ITM formulated a Whistle-Blowing Policy and System (WBS) in 2011. This system was originally supported by the Independent Whistle Blower Centre (IWBC), which can be accessed on the website, www.iwbcitmg.com. In 2013, ITM launched a new reporting channel via PO Box 1070 JKS 12010. Thus, the WBS can now receive complaints/reports via two channels, the website and the PO Box.

In order that efforts to eradicate fraud and corruption via the WBS operate effectively and efficiently, ITM has established a number of provisions with the aim of encouraging the participation of all employees who know of or spot violations. These provisions include: Protection Program for Whistle Blowers, Clarifying the Scope of a Violation, Handling Mechanism Via the IWBC or Via the PO Box.

Results show that, as of the end of 2013, ITM had received 42 reports via the IWBC, which were later handled by an Ombudsman and investigative committee, in accordance with applicable procedures. No reports were delivered via the PO Box. Here are the details of those reports:

- Total reports received 42
- Total reports investigated 10
- Total investigations completed 10
- Reports used as input for management improvements 20
- Reports considered insufficient for follow-up 12

TRANSPARENCY CENTER

In response to growing pressure in corporate circles to practise "transparency" in daily business activities amid an increasingly widespread anticorruption movement worldwide, ITM has formed a medium called the Transparency Centre (TC). The TC is used to monitor the giving and accepting of gifts, gratuities and entertainment, as well as other things that raise the possibility of a conflict of interest.

This medium was launched on September 9, 2013. It is in line with one of ITM's values, namely Integrity, and the principle of transparency is also reflected in the Company's GCG policy and Code of Conduct. Since its launch, the TC has received more than 50 reports from ITM employees throughout the company's operational areas.

9 SUSTAINABLE HR MANAGEMENT

MANAGING HUMAN RESOURCES SUSTAINABLY

ITM believes that Human Resources (HR) are a key to the success of a company, as well as being important to an organisation's sustainability. The creation of a working environment that is comfortable, safe and conducive enables employees to work to their maximum output and allows them to believe that their performance and dedication will be valued objectively, resulting in them receiving compensation that is appropriate along with a clear career path. Human resources are also one of the stakeholders in a central position as the driving force and spearhead of a company's success in realising its vision and executing its mission.

On the other hand, ITM views its HR as an important business partner, as the presence of employees who are professional, competent, dedicated and possessing integrity gives us a strong base to continue growing and developing to achieve our aims. Therefore, in understanding these two important aspects, we manage our HR with a focus on imrpoving competence, while at the same time striving to fulfil all our employees' expectations.

To this end, we have established and carried out a mission for HR management which aims to provide the best HR and HR Management System to support ITM's development. In order to accomplish this mission and vision, we have constructed and implemented a basic framework on HR management, as well as designing and applying various programs on the management of HR.

During 2013, we put into practice a number of plans and programs, especially to align the organisation of HR, increase the role of IT in labour administration, improve employee competence and recruit new employees in a staged process to support ITM in achieving its vision and mission.

PROMOTING GOOD INDUSTRIAL RELATIONS WITH WORKERS

ITM seeks to establish a relationship of mutual respect and one that is able to achieve a balance between the fulfilment of rights and the execution of obligations. This kind of impartial relationship is created through intensive communication and the involvement of two parties that support each other in achieving company targets. The two parties here mentioned are the employees, who are represented by labour unions, and the company's management. Due to the importance of such cooperation, ITM supports the activities of the Labour Unions and regular communication in the Bipartite Cooperation Agency (LKS).

This mutually supportive relationship is manifested in the points in the agreement and rules contained in the Collective Labour Agreement (PKB), which is regularly reviewed and updated and is signed by the Labour Unions and Management of each company. The same is true of the Company Regulations (PP), which are drawn up by the Management at given times. Thus, all ITM employees (100%) enjoy the full protection of their rights through the PKB or PP.

With the PKB and PP, employees' rights and obligations in relation to the company are clear and guaranteed, while the documents cover issues such as:

- The certainty of rights and obligations of both the Company and Employees, including: the pattern of work relations, terms and conditions of employment and Company rules.
- The setting of dispute settlement, delivery of opinions and deliberation procedures.
- The setting of employment termination and retirement incentives.
- Setting remuneration scales and work benefits.

As a form of commitment on the part of ITM, which views its employees as a prime asset and key stakeholder in guaranteeing the successful achievement of the Company's goals, the Management and Employees (through Labour Unions at each subsidiary) have agreed and signed the following PKBs or determined the following PPs:

- PP for the period September 2012-2014 for PT. Indo Tambangraya Megah, Tbk.
- PP for the period February 2013-2015 for PT. Bharinto Ekatama.
- PKB for the period July 2013-2015 for PT. Indominco Mandiri.
- PKB for the period July 2013-2015 for PT. Jorong Barutama Greston.
- PKB for the period September 2012 – August 2014 for PT. Kitadin.
- PKB for the period March 2012–2014 for PT. Trubaindo Coal Mining.

These PKBs and PPs are reviewed and renewed every 2 (two) years in accordance with the prevailing legislation.

COMPLIANCE WITH REGULATIONS AND LEGISLATION ON EMPLOYEE AFFAIRS

The several policies regarding ITM's adherence to labour regulations governing the management of employees include:

1. Freedom of Association

   ITM guarantees the right of its employees to associate in the form of an employee organisation or Labour Union in the company's structure, including the freedom to become its leaders. This guaranteed freedom for employees to form a Labour Union is contained in Law No. 21/2000 on Labour Unions/Trade Unions. This guarantee is also stipulated in each of the PKBs and PPs referred to above, in Sections and Articles that govern "Labour Union Status".

   Within the ITM structure at this time, eight (8) Labour Unions represent all employees at its four (4) subsidiaries:

   PT. Kitadin
   - PT. Kitadin (Embalut) Work Unit Board of the Chemical, Energy and Mining Workers Union Federation (PUK FSP KEP).
   - Kitadin Tandung Mayang Workers Union (SPKTM).
   - PT. Kitadin Tandung Mayang Commissariat Board of the Energy and Mining Federation-Indonesian Prosperity Union (PK FPE-SBSI).
   - PT. Kitadin Tandung Mayang Justice Union.

   PT. Indominco Mandiri
   - Indominco Mandiri Commissariat Board of the Indonesian Prosperity Union (PK SBSI).
   - Indominco Mandiri Workers Union.

   PT. Jorong Barutama Greston
   - PT. Jorong Barutama Greston PUK Chemical, Energy and Mining Workers Union All-Indonesia Workers Union (SPSI).

   PT. Trubaindo Coal Mining
   - Trubaindo Workers Union (Spektro).

   The forms and mechanisms of support offered by the Company to the Labour Unions and their leaders are organised and guaranteed in the PKBs, which are signed by representatives from the Labour Unions and those from the Company.

   As the stakeholder that possesses the foremost responsibility for maintaining the continuance of its business, the Company offers an opportunity to its employees – both individually and through the Labour Unions at each of its subsidiaries – to submit to the Management their proposals for improvements, their opinions and constructive criticism to improve operations and welfare.The Company provides bipartite communication forums on a periodic (quarterly) basis at site offices, which allow for discussions to resolve any problems that may arise in the workplace, so that the relationship between the Company and its employees remains productive and positive.

2. Working Environment

   One of the factors that has a direct impact on employee performance is a working environment that is healthy, safe and comfortable. The Company endeavours to establish a physical and mental environment surrounding work activities that is conducive to a positive work atmosphere. In order to build a healthy psychological environment and establish intensive communication with management, the Company provides regular consultative forums that can be attended by Labour Union representatives as well as individual employees.

   Meanwhile, to establish harmonious relationships among its employees, the Company provides an Information Technology-based communication tool that allows all employees to communicate fully during their work shifts. The Company has even launched a program to support employees' off-duty activities, such as membership of fitness centres, family gatherings and employee get-togethers as well as providing fully-eqipped infrastructure at its remote mining sites, such as sporting and entertainment facilities.

Through these various measures, ITM manages to maintain a conducive work environment and atmosphere, producing a level of satisfaction for its employees in their work; a fact that is indicated by the relatively low staff turnover rates.

Total Number of Company Employees who entered retirement/resigned/chose early retirement. During the reporting period, there was an employee turnover rate of 8.0%, with a total of 258 employees (215 men and 43 women) leaving the company. The cause of these departures was generally based on personal reasons, early retirement and entering the age of retirement.

Also during the reporting year, ITM recruited 126 new employees through a number of recruitment programs, which were conducted alone and in cooperation with competent parties.

3. Working Hours and Significant Operational Changes

ITM applies limits on employee working hours so as not to exploit the workforce, bearing in mind the areas and nature of the work. In accordance with the nature of the business, which demands consistency in delivering to consumers, the Company puts into effect regular working hours, shift work and special working hours for the execution of work in specific areas. In the event that in order to complete a job, an employee exceeds the pre-agreed working hours, then compensation is given in the form of overtime in accordance with the law, while days off in lieu are provided for several classes of employees.

ITM allows Employees to enjoy annual leave entitlements, that some locations include field breaks for Employees who have worked consecutively for a particular length of time. The Company also allows its Women Employees to take maternity leave, and the Company guarantees them the chance to return to their original positions in recognition of their rights. During 2013, twenty-one (21) Women Employees took maternity leave and thereafter returned to work in the company.

The same guarantees are also accorded to Employees who perform the Haj, during which time they continue to enjoy their rights as Employees. During 2013, three (3) employees performed the Haj and then returned to work.

4. Wage Determination

ITM provides wages for work services performed by both permanent and temporary employees, the components of which include a fixed salary, vacation money, gratuities for exemplary employees, performance incentives, bonuses and other benefits. The scale of these wages is reviewed at certain intervals.

The minimum wage paid to new ITM employees at entry level is greater than the regional minimum wage (UMR) or provincial minimum wage (UMP) where our main sites are located.

In terms of workforce remuneration, the Company does not differentiate on the basis of gender between male and female employees.

following is an Entry-Level Wage Comparison Table in relation to the local UMR according to Operational Area.

Company Name	Location	Regional Minimum Wage (UMR) Rp	Entry Level Wage Rp
PT Indotambangraya Megah	Jakarta	2,200,000	2,200,000
PT Indominco Mandiri	Kutai Timur, East Kalimantan	1,900,000	1,900,000
PT Trubaindo Coal Mining	Kutai Barat, East Kalimantan	1,910,000	1,910,000
PT Kitadin	Kutai Kartanegara, East Kalimantan	1,900,000	1,900,000
PT Bharinto Ekatama	Kutai Barat, East Kalimantan	1,910,000	1,910,000
PT Jorong Barutama Greston	Tanah Laut, South Kalimantan	1,467,500	1,680,000

MM7
MM6

5. Prevention of Child Labour and Prohibition of Forced Labour

ITM pays great attention to the prevention of child labour. The minimum age requirement for prospective employees with ITM is 18. This requirement also applies to our mining contractor partners. It is adhered to and monitored closely, with the result that during the reporting period, no minors were employed by the ITM Group or by our mining partners. This is consistent with the Government's decision to ratify various regulations on Human Resources, particularly the International Labour Organization (ILO) Convention.

ITM utilises a shift-work system in several areas of its operations. Shifts are adapted to conditions encountered in the field, comprising 2 to 3 shifts a day, while excessive work hours are calculated as overtime as contained in the PKB and in accordance with the Law. During working hours, each employee is given the chance to take a break at certain hours. This system is intended to prevent and negate any actions that could be categorised as forced labour.

6. Respecting the Rights of Indigenous Peoples

ITM always respects the rights of local populations, with the result that during the reporting period, no incidents or violence were instigated by ITM towards communities living around the company's mining operational areas. Likewise, no refusals were lodged by these communities concerning ITM's operational activities.

We have a vision of being a company that is committed to empowering communities through partnerships, working together in a sustainable way and with initiative to empower communities to become self-reliant.

We consistently apply ITM's community development policy, which is inspired by the Banpu Spirit - our corporate culture that consists of four values, namely Innovation (creating and developing independent communities), Integrity (a commitment towards communities), Care (providing support irrespective of differences) and Synergy (working together in partnerships comprising the communities, local governments and the company).

In carrying out our mining operations, from the acquisition of land, mining the coal through to closing a mine, we strive to involve the active participation of local communities when discussing the process of land and crop replacement, determining relocation sites and seeking livelihoods, which is a realisation of our greening program as well as our corporate social responsibilty (CSR) program.

COMPANY EMPLOYEE DEMOGRAPHICS

At the end of the reporting year, the total number of ITM employees was 3.144, assigned across 9 main operational sites, comprising two (2) operational offices (Headquarters in Jakarta and Branch Office in Balikpapan) and seven (7) sites managed by five (5) subsidiaries. Of this total number of employees, 367 are non-permanent staff employed on Fixed-Term Contracts (PKWT), while the remainder are permanent employees.

Employee Demographics based on Status and Duty Station, 2013

Location	Local & Contract Basis		
	Permanent	Contract	Total
Jakarta	213	24	237
IBO	40	38	78
IMM	691	28	719
TDM	805	202	1.007
EMB	150	11	161
TCM	627	38	665
BE	93	20	105
JBG	165	6	171
BCT	1	-	1
Total	2,785	359	3,144

As is usual in the mining industry, the demographic breakdown of our employees is 89.7% male and 10.3% female, while based on the level of education, the majority of our employees are high school graduates who primarily work in the field, followed by university graduates and holders of diplomas, as the following table shows.

Employee dempgraphics based on Educational Level and Duty Station, 2013

Company	Elementary School	Junior High School	Senior High School	Diploma	Bachelor Degree	Master Degree	Doctoral	Others	Total
Jakarta	2	5	19	22	138	43	-	8	2377
IBO	-	-	1	2	55	2	-	18	78
IMM	17	34	419	75	121	5	-	48	719
TDM	20	77	728	71	107	4	-	-	1,007
EMB	6	14	82	12	41	-	-	6	161
TCM	67	52	307	75	144	5	1	14	665
BE	4	9	33	7	46	-	-	6	105
JBG	8	28	67	17	48	3	-	-	171
BCT	-	-	-	-	-	-	-	1	1
Total	124	219	1,656	281	700	62	1	101	3,144

Based on age, the majority of ITM employees, namely 727 employees, are aged 30-35 (23.1%); followed by 673 employees aged 35-40 (21.5%); 631 employees aged 25-30 (20.1%), and 519 employees aged 40-45 (16.5%). It can be seen in the table below that the majority of employees (81.2%) are still in the productive age range.

Employee demograhics based on Age and Duty Station, 2013

Location	≤ 20	20-25	25-30	30-35	35-40	40-45	45-50	50-55	55-60	≥ 60	Total
Jakarta	-	7	39	53	49	40	19	17	7	6	237
IBO	-	2	27	15	15	11	4	2	1	1	79
IMM	3	18	115	102	151	168	122	4	2	4	719
TDM	2	63	219	267	244	150	45	16	1	-	1,007
EMB	-	27	32	34	23	23	16	6	-	-	161
TCM	15	47	142	175	138	83	36	23	4	2	655
BE	2	5	33	31	15	11	4	2	2	-	105
JBG	-	4	16	50	42	34	14	8	3	-	171
BCT	-	-	1	-	-	-	-	-	-	-	1
Total	22	173	628	727	677	520	250	114	20	13	3,144

In accordance with the company's operational business in the mining sector, the majority of ITM employees (92.5%) work in Kalimantan, while 7.5% of employees – 227 people – work in Java, namely at the Jakarta headquarters office.

We do not set percentage limits on the number of employees based on gender. In accordance with the nature of the work involved in mining, the number of women employees is smaller than that of men. Most of our women employees work in administration and areas that support the field operations.

MANAGEMENT OF COMPETENCE AND CAREER DEVELOPMENT

Considering that HR are a company's business partner in achieving its long-term goals and is, at the same time, a stakeholder that plays a central role in supporting the successful attainment of those goals, we have developed a management system that incorporates both these HR roles. Given that basic competence among HR is the primary capital in HR management, ITM's HR Management System is directed towards the upstream, from recruiting the best candidates with work experience and solid educational backgrounds who appreciate values similar to our Shared Corporate Values (Banpu Spirit).

ITM also involves employees in implementing a Performance Management System through the alignment of individual targets with the Company's Strategic Objectives. Determining these objectives is achieved by using SMART (Specific, Measurable, Achievable, Realistic, Time-bound) criteria, where all staff approve the work targets set to support the company's aims, including a schedule of periodic evaluations to be carried out at a later date.

In light of the fact that ITM runs operations in several locations in Indonesia, we have devised an HR administrative system that can accommodate directives from headquarters, while also respecting conditions in regional areas, thus ensuring the establishment of a practical HR management that is both effective and acceptable to all parties at every operational location.

The structure of ITM's HR management is an organisational structure that reflects a clear chain of command while, at the same time, reflecting the links between employees as part of the organisation in light of their respective responsibilities. This management system is able, therefore, to incorporate the adoption of policies, standards, guidelines and the supervision of staff movements, as well as career development and travel arrangements, complete with control over policy being delegated to authorities in each section.

In order to support HR management across regions and HR activities, ITM has identified, designed and developed a Human Resources Information System; an Internet web-based system that enables management to record data, conduct analysis and compile reports on the implementation of HR management. This entire system is designed to ensure that ITM's HR are the company's business partner in achieving the company's aims and realising its vision and mission.

Recruitment

The recruitment of ITM employees is generally open to anyone. In order to attract high-quality candidates, ITM applies several recruitment methods. One of these programs, which is conducted regularly, is the Geological & Engineer Trainee (GET) program. The most recent GET program, namely the sixth intake, began on March 11, 2013, and ended on March 10, 2014. Through this program, ITM recruits new university graduates, in cooperation with a number of Indonesia's leading universities, so that they may be trained and developed to become prospective company leaders in the future. In 2013, ITM recruited seven (7) employees, five (5) of whom were students who received scholarships from ITM's collaboration with several State Universities in Indonesia.

They subsequently underwent a development program, according to which they spent two (2) months in Jakarta and 10 months on-the-job training in the field, where they were given project assigments and regularly assessed by mentors. The final results of this program were presented before field management personnel, Headquarters Office Management and Directors at the beginning of March 2014.

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At the same time, a regular recruitment process takes place in the normal way, with the receipt of applications preceded by posting job vacancies in various media outlets and on the Company's website. Most of the applicants who follow the admissions process and are later accepted as prospective employees are highly-talented local residents who come from cities or areas in which ITM operates. If all the requirements and selection critera are met, ITM prioritises the enrollment of prospective employees from local areas. The same approach is adopted in the selection of senior managers, where through to the end of the reporting year, senior managers who came from the local population (namely, from Kalimantan) totaled 26, making up 21% of ITM's total senior managers (Level Manager on up).

Before being taken on as permanent staff, new employees must undergo basic training, followed by the implementation of development programs for new employees that have successfully completed the selection process, according to their respective work areas.

As already mentioned, via its tiered selection process, ITM accepted 126 new employees in 2013.

Competence Training and Development

ITM puts its employee competence development program into practice based upon a Competence Model. All the development activities are conducted through formal Workshops, comprising In-Class Training, Self-Learning (which includes E-Learning), Sharing Sessions (sessions on sharing information or knowledge) and On-the-Job Training, which are synchronised with the Performance Management System through guidance by supervisors in each work unit.

The training and development plan is designed so that in each year of formal training in these areas, key focus is given to enhancing managerial skills, operational skills and behaviour. For senior managers, the development plan includes leadership and entrepreneurship, while the development plan for middle managers focuses on professional knowledge and people management. Technical knowledge and continual improvement is stressed for both professional and operational staff.

In order to help develop these levels of competence, ITM has also built relationships with several major universities to provide scholarships for talented employees, allowing them to further their education at university. In 2013, ITM gave an opportunity to six (6) employees to enter this scholarship program. ITM also offered internships to high school students and university students.

So as to offer a training program that is directional, structured and systematic, ITM has compiled a Technical Training Roadmap to ensure the implementation of a training program that is in line with the career management system. The training modules for the Technical Training Roadmap are created with the involvement of the company's internal resources so as to produce training material appropriate to the company's operations, which can then be implemented in daily work.

In conducting the training and development program, ITM applies a principle of harmony among all employees, with no distinction made to gender.

In 2013, ITM executed no fewer than 232 types of training, 97 of which were conducted as in-house training, while the 135 others were external training, with the number of participants totalling 2,180 employees. The total number of training hours reached 22,824 for male participants and 3,763 for women participants. The recapitulation of training carried out by ITM is as follows.

Amount of Training and Training Hours According to Gender and Work Station

Total Training Hour Report	2013		2012	
	Training Amount	Learning Hours	Learning Hours	Training Amount
Age				
≤ 25 years	2,346	219	1,854	165
26-40 years	16,780	1,430	30,521	2,053
41-55 years	7,182	512	12,650	768
≥ 55 years	279	19	468	20
By Gender				
Male	22,824	1,844	45,492	2,652
Female	3,763	336	45,119	355
By Company				
Trubaindo Coal Mining	1,413	532	4,820	337
Bharinto Ekatama	437	109	748	59
Balikpapan Office	951	76	892	46
Jakarta Office	3618	277	1,765	166
Kitadin Embalut	6,686	428	5,698	342
Kitadin Tandung Mayang	573	33	12,076	878
Jorong Barutama Greston	740	146	2,481	396
Indominco Mandiri*)	11,937	579	17,416	782

Training according to Implementing Location and Number of Topics, 2013

Training Type	Amount (Person)
In-house Training	1,940
Outside Training	240
Total	2,180

Training Type	Amount (Topics)
In-house Training	97
Outside Training	135
Total	232

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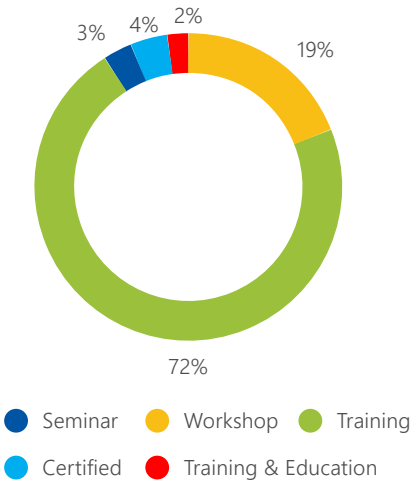
Training According to Learning Method, 2013

Metode	Amount (Person)	Percentage
Seminar	46	2%
Workshop	408	19%
Training	1,580	72%
Certified	60	3%
Training & Education	78	4%
Total	2,180	

TRAINING METHOD



Performance Management System

ITM has also developed a Performance Management System, which allows employees to determine their respective performance targets appropriate to their roles and responsibilities at ITM.

ITM assesses employee performance in a transparent and accountable way using elctronic and non-electronic forms of media. Performance assessments are carried out periodically by the Employees themselves, as well as direct and indirect Supervisors. The performance assessment results are used as a basis for program development, remuneration, career development and promotions.

Assessments are conducted throughout each employee's period of employment, as part of a pattern of employee career development based on competence. Follow-up assessments on performance and competence feed into the planning and implementation of development programs, rotations, transfers and promotions.

Performance assessments are later followed by measuring the competence of employees, who are then promoted or moved up in the organisation's hierarchy. In 2013, ITM measured the competence of 844 employees. Thereafter, ITM promoted and rotated a number of employees based on demonstrable work achievements; 433 employees were promoted and 89 were rotated.

Career Path Equality

ITM guarantees equal opportunities for all its employees in developing their careers, in accordance with its development efforts. The consistent application of the principle of equality at all levels in the organisation prevents any case of discrimination on the basis of ethnicity, race, religion, gender or political affiliation. All employees can accept the decisions of their Bosses to place them in particular roles or positions, as these decisions are based on data detailing competence and ITM's predetermined criteria.

BENEFITS PACKAGE

The Company applies competitive salary standards that are in line with its financial capability. To that end, the Company always participates in remuneration surveys conducted by leading remuneration consultants. This is done in an effort to standardise the Company's compensation and rewards system to motivate employees to improve their competence and performance, as well as retaining employees with potential.

The Company remunerates all its employees every month as compensation for their work, according to their functions and positions.

G4-LA13

The compensation components for ITM employees are as follows:

1	Basic Salary
2	Incentive
3	Business Trip Allowances - Pocket Money, Accomodation, Transportation (Domestic & Overseas)
4	Housing Allowance
5	Transportation Assistance, Car Loan
6	Meal Assistance
7	Position Allowance
8	Festive Day Allowance
9	Long Leave Allowance
10	Relocation Allowance
11	Yearly Bonus (Company Performance and Production)
12	Medical - Inpatient and Outpatient
13	Eye Glasses Assistance for Employee and Family
14	Wedding Assistance
15	Grievance Assistance
16	Insurance (Normal Death, Occupational Accident)
17	Recognition Program

Gender Equality in Remuneration

ITM does not recognise a gender difference in the awarding of remuneration. The same is true with regard to career development, in which the Company provides standard wages or equal pay to both its male and female employees without discrimination. Salary differences are not ascertained by differences in gender; they are based solely on an individual's position, performance and length of service.

Work Area	Wage and Remuneration Ratio	2013
	Wage and remuneration ratio of the highest-level and lowest-level employees.	189 : 1

Work Area	Wage and Remuneration Ratio Based on Gender	2013
	Wage ratio between highest-level male employees and highest-level women employees.	3.57 : 1
	Wage ratio between lowest-level male employees and lowest-level women employees.	0.95 : 1

Pension Plan

ITM provides a pension plan for permanent staff so that when an employee retires, he or she can continue to enjoy a quality of life that is secure and assured. ITM participates in the Seniors' Security (JHT) program run by PT. Jamsostek, in which ITM contributes 3.7% and each employee 2%.

Early Retirement Plan

Early Retirement is regulated in the PKB/PP of each company using the term, special retirement. An employee can claim special retirement in agreement with the Company, according to the following conditions:

1. Must have worked for a minimum of 10 (ten) years and be 40 (forty) years old or over, or;
2. Must have worked for 20 (twenty) years for the ITM Group.

This is pursuant to the following articles as contained in the PKBs or PPs belonging to ITM and its subsidiaries: PP BEK (Article 52.1.2), PKB IMM (Article 49.2), PP ITM (Article 54.2), PKB JBG (Article 48.1.2), PKB KTD (Article 50.1.2), PKB TCM (Article 55.1.2).

Employees who retire receive 2 (two) times Severance Pay, Gratuities and Compensation Benefits.

Furthermore, in order to prepare employees who are facing full-time service, ITM organises entrepreneurship training, which includes inviting former ITM employees who have established their own businesses to be training resources.

Awards program for employees

ITM organises a program that presents awards to employees as a form of development and to motivate them to work to the best of their ability to support the attainment of the Company's aims. Several of the awards presented to employees include:

- Achievement Award.
  This award is presented to employees who introduce innovations and improvements using an Improved Activity Working Group (KOMPAK) method via a competition that is held once a year.
  In addition, ITM offers awards to employees who fulfil the 5S (Seiri, Seiton, Seiso, Seiketsu & Shitsuke – Organised, Tidy, Neat, Clean & Disciplined) standards, with a competition held once a year.

- Employee of the Year.
  This award is given to one employee every year based on predetermined assessment criteria.

- Service Award.
  This award is given to employees for continuous length of service of 15, 20, 25, 30 and 35 years.

ENHANCING CORPORATE CULTURE

The work culture at ITM comprises the Company's values (Innovation, Integrity, Care, Synergy) and is commonly referred to as Banpu Spirit. The Banpu Spirit includes shared values that must be practised/realised in carrying out the day-to-day tasks in ITM's work environment.

The Banpu Spirit Corporate Culture emphasises the importance of employee motivation and performance. In order to enhance vigour in the application of the Banpu Spirit culture, ITM puts it into practice in a number of programs such as the following:

- New Employee Orientation Program to introduce Banpu Spirit values.

- Banpu Spirit Training Program, which is designed for each position level (Front Man, First Line and Managers on up).

- Company activities (such as Employee Gatherings) that discuss one of the Banpu Spirit values.

- Campaigns and the making of banners, posters, pocket books, screen savers, magazines and so on.