

KING III CHECKLIST

South African Coal Mining Holdings Limited (SACMH/the company/ Group) supports the principles and practices set out in the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III) and has taken steps to ensure that it applies the recommendations and requirements of King III.

King III Ref	King III Principle	Applied/Partially Applied/Not applied	Commentary
Chapter 1: Ethical Leadership and Corporate Citizenship			
Principle 1.1	The Board of Directors of the Company (the board) provides effective leadership based on an ethical foundation	Applied	The Board confirms its commitment to the highest standards of corporate governance. The Board Charter adopted by the Board set the ethical foundation for how the Company operates.
Principle 1.2	The Board ensures that the Company is and is seen to be a responsible corporate citizen	Applied	The Board action taken by the Group to be seen as a responsible corporate citizen are set out in the 2014 Integrated Report, ensuring utilising of resources effectively and support of communities in which the Group operates.
Principle 1.3	The Board ensures that the Company's ethics are managed effectively	Applied	Through its various procedures which have been introduced to meet the requirements of the Mining Charter, the Board is responsible for ensuring that the Group protects, enhances and contributes to the wellbeing of the economy, society and natural environment
Chapter 2: Boards and Directors			
Principle 2.1	The Board acts as the focal point for and custodian of corporate governance	Applied	The Board ensures that the Group applies the governance principles contained in King III and will continue to enhance governance structures and process as and when operations are resumed
Principle 2.2	The Board appreciates that strategy, risk, performance and sustainability are inseparable	Applied	The Board with the support of its various Committees implements strategy and the business plan. Current efforts are concentrated on leasing out strategic assets in order to cover the costs of the care and maintenance programme. Once the Water Use Licence is received the strategy and business plan will be changed to support full business operations
Principle 2.3	The Board provides effective leadership based on an ethical foundation	Applied	The Board confirms that it is committed to the higher standards of corporate governance, setting an ethical foundation on which the Group operates.
Principle 2.4	The Board ensures that the Company is and is seen to be a responsible corporate citizen	Applied	Details are set out in the Integrated Report
Principle 2.5	The Board ensures that the Group's ethics are managed effectively	Applied	Through various charters, terms of reference, policies and procedures the Board is responsible for ensuring that the Group conducts business in an ethical and responsible manner
Principle 2.6	The Board has ensure that the Group has an effective and independent audit committee	Not Applied	Up until May 2015, the audit committee consisted of two non-executive directors and the chairman of the board of the company. During the early part of 2015 changes were made to the composition of the board of directors and the audit committee now consists of three independent non-executive directors.
Principle 2.7	The Board is responsible for the governance of risk	Applied	The Audit Committee annual plan includes discussions with management to assess the risks facing the Group
Principle 2.8	The Board is responsible for information technology (IT) governance	Applied	As part of the risk assessment IT governance will be reviewed.
Principle 2.9	The Board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Board with the aid of its responsible prescribed officers have a programme which aims to ensure that all standards on applied and complied with
Principle 2.10	The Board should ensure that there is an effective risk-based internal audit	Partially applied	Operations are currently too small to employ an internal audit team. Processes are monitored by management and the aid of the JSW internal audit team is available for use by the Group. The JSW team reviewed the internal procedures and processes and found them adequate after introduction of additional controls and processes
Principle 2.11	The board should appreciate that stakeholder' perceptions affect a Company's reputation	Applied	Stakeholders interactions are set out in the 2014 Integrated Report

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Principle 2.12	The Board should ensure the integrity of the Company's integrated report	Applied	Applied with the assistance of the Audit and Risk Committee, other Board Committees and Mazars
Principle 2.13	The Board reports on the effectiveness of the Company's internal controls	Partially applied	Management review controls and report to the board when improvements are required. As a result of the closure of the operations very little activity is taking place and management oversight, reporting to the Board, is sufficient at this stage
Principle 2.14	The Board and its directors should act in the best interests of the Company	Applied	Directors' are aware of their fiduciary duty. Records of financial interests are updated annually and whenever any changes are made to such interests
Principle 2.15	The Board will consider business rescue proceedings should the Board consider it necessary as required by the Companies Act 71 of 2008	Applied	The Group has received JSW's written consent of continued financial support, if and when required while the operations are under care and maintenance
Principle 2.16	The Board has elected a chairman of the board who is an independent non-executive director. The CEO of the company is not the chairman of the Board	Applied	Mr QMSM Mokoetle is an independent non-executive director of the Company and was appointed to that role in 2012
Principle 2.17	The Board has appointed the Chief Executive Officer and has established a framework for delegation of authority	Partially applied	The role of CEO and CFO was combined with the approval of the JSE due to the care and maintenance of operations until Mr KG Harris was appointed to that position in February 2015
Principle 2.18	The Board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent	Partially applied	New directors were appointed to the board during the first half of 2015 ensuring a balance of power. Prior to that the board consisted of one independent non-executive director, two non-executive directors and one executive director. The Board Charter sets out the framework for the delegation of authority.
Principle 2.19	Directors are appointed through a formal process	Applied	A written policy for the appointment of directors was approved by the board
Principle 2.20	The induction of and on-going training, as well as the development of directors are conducted through a formal process	Applied	A comprehensive pack of documents containing Charters, Terms of Reference, Policies and Procedures is handed to each director and one on one discussions held with the directors as to their responsibilities and duties. On-going training through an external service provider is recommended.
Principle 2.21	The Board is assisted by a competent, suitably qualified and experienced company secretary	Applied	The Company Secretary's details are set out in the integrated report
Principle 2.22	The evaluation of the Board, its committees and individual directors is performed annually	Not applied	Due to changes which have occurred to the structure of the board over the past year no evaluation was conducted. An evaluation will be conducted in the latter part of 2015
Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating its own responsibilities	Partially applied	The Board until early 2015 functioned with only an Audit and Risk and Social and Ethics Committee. In May 2015 the Remuneration and Nominations Committee was appointed and the Audit and Risk Committee was reconstituted
Principle 2.24	A governance framework has been agreed between the Group and its subsidiaries' boards	Applied	The subsidiaries are all wholly-owned subsidiaries and directors of the Company are appointed to the subsidiaries board and are expected to apply the same standards as those of the Company's board.
Principle 2.25	The Company remunerates its directors and executives fairly	Applied	The Remuneration and Nominations Committee will be asked to review the current rate of remuneration paid to non-executives during 2015. Executive remuneration is reconsidered when all employees' remuneration is considered. In 2014 the average employee increase was that applied to the coal mining industry in South Africa following wage negotiations
Principle 2.26	The Company has disclosed the remuneration of each individual director and prescribed officer	Applied	Remuneration disclosed in the Integrated Report
Principle 2.27	The shareholders have approved the Company's remuneration policy	Applied	Tabled for a non-binding advisory vote at each Annual General Meeting of shareholders
Chapter 3: Audit Committees			
Principle 3.1	The Board has ensured that the Company has an effective and independent audit committee	Partially applied	The Audit and Risk Committee was reconstituted in May 2015 and will be evaluated in due course. See notes in respect of the Audit and Risk Committee in the Integrated Report
Principle 3.2	Audit committee members are suitable skilled and experienced	Applied	The Audit and Risk Committee members are considered suitable skilled and experienced and are independent non-executive directors

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Principle 3.3	The Audit committee is chaired by an independent non-executive director	Applied	See noted in Integrated Report
Principle 3.4	The audit committee oversees integrated reporting	Applied	The Audit and Risk Committee has oversight over the preparation of the Integrated Report and recommends approval of that report to the Board.
Principle 3.5	The audit committee has ensured that a combined assurance model has been applied which provides a coordinated approach to all assurance activities	Not applied	These activities will be implemented in full when the mine's operations are recommenced until then risks are monitored by management and the board.
Principle 3.6	The audit committee is satisfied with the expertise, resources and experience of the company's finance function	Applied	Due to the limited scope of activity very little financial activity is in progress, however, when necessary additional temporary assistance is called in where needed
Principle 3.7	The audit committee should responsible for overseeing the internal audit process	Partially applied	Due to the size of the operations, the need for internal audit will be requested from the JSW team where necessary
Principle 3.8	The audit committee is an integral component of the risk management process	Partially applied	The Audit and Risk Committee have included a review of risks with the management team in its annual plan for 2015. No assessment was carried out in 2014.
Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	Annually overseen by the Audit and Risk Committee
Principle 3.10	The audit committee has reported to the board and the shareholders as to how it has discharged its duties	Applied	The Audit and Risk Committee minutes of meeting are included in board packs and matters of concern highlighted. A report is included in the Integrated Report
Chapter 4: The Governance of Risk			
Principle 4.1	The Board is responsible for the governance of risk	Applied	In terms of the Board Charter the Board is responsible for the governance of risk and the Audit and Risk Committee assist the Board with this responsibility
Principle 4.2	The Board has determined the levels of risk tolerance	Partially applied	Due to the limited scope of activity risks are limited but are monitored by managed and discussed at board and management meetings
Principle 4.3	The risk committee and/or audit committee has assisted the Board in carrying out its risk responsibilities	Partially applied	Due to the limited scope of activity , risks are limited. The 2015 annual audit committee plan includes an assessment of the risks
Principle 4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan	Partially applied	Management monitor risks and raise any concerns in management and board meetings. Once operations are resumed a proper monitoring plan will be implemented.
Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis	Partially applied	Management monitor risk and raise any concerns at meetings.
Principle 4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Partially applied	Once operations are resumed the risk management activities will have to be re-assessed and introduced
Principle 4.7	The Board has ensured that management has considered and has implemented appropriate risk responses	Applied	Monitored by management on on-going basis
Principle 4.8	The Board has ensured continual risk monitoring by management	Applied	Monitored by management on on-going basis
Principle 4.9	The Board received assurance regarding the effectiveness of the risk management process	Partially applied	Monitored and reported by management on on-going basis
Principle 4.10	The Board has ensured that there are process in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Partially applied	All controls and processes were examined the by JSW internal audit team and were considered appropriate. Management monitor and will report any irregularities but no mining activity and few financial transactions, risks are limited
Chapter 5: The Governance of Information Technology (IT)			
Principle 5.1	The Board is responsible for IT Governance	Applied	Process and procedures were approved by the board and an outsourced service provider manages the infrastructure.
Principle 5.2	It has been aligned with the performance and sustainability objectives of the company	Applied	Once operations are resumed IT requirements will have to be re-assessed to meet future developments

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Principle 5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework	Applied	Once operations are resumed IT requirements will have to be re-assessed to meet future developments
Principle 5.4	The Board monitors and evaluates significant IT investments and expenditures	Applied	No major investments and expenditure will be required until operations resume.
Principle 5.5	IT is an integral part of the company's risk management plan	Applied	Once operations are resumed IT risks will have to be re-assess to meet future developments
Principle 5.6	The Board ensured that information assets are managed effectively	Applied	Managed by a competent outsourced service provider
Principle 5.7	A risk committee and audit committee assists the Board in carrying out its IT responsibilities	Applied	The Audit and Risk Committee will assess any risks as part of its annual plan in 2015
Chapter 6: Compliance with Laws, Codes, Rules and Standards			
Principle 6.1	The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	With the aid of Mining Management appointed in terms of mining regulation, service providers, attorneys and the company secretary all necessary regulations are adhered to and reported on where required
Principle 6.2	The Board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business	Applied	Updates in applicable laws, rules and codes are included in board packs and tabled at meetings
Principle 6.3	Compliance risk should form an integral part of the company's risk management process	Applied	All regulatory issues are reported on as and when required and once operations are resumed and assessment of the process will have to be re-assessed
Principle 6.4	The Board should delegate to management the implementation of an effective compliance framework and related processes	Applied	All regulatory issues are reported on by management as required by legislation and regulation
Chapter 7: Internal Audit			
Principles 7.1 to 7.5	The Board should ensure that there is an effective risk based internal audit, plan, effective controls and risk management overseen by the audit committee. Internal audit to achieve its objectives.	Partially applied	No internal audit team has been appointed because of the size of operations at present. All controls were assessed by the JSW India internal audit team, controls and processes implement. A re-assessment will be conducted once operations are resumed
Chapter 8: Governing Stakeholder Relationships			
Principle 8.1 to 8.6	The Board should appreciate stakeholder' perceptions affect reputation, proactively deal with, treatment, communication and dealing with disputes in respect of stakeholders and in the best interests of the company	Applied	Stakeholder interaction is limited while the business is not operating its mine. The integrated report carries details of stakeholder relations and interaction with stakeholders and policies relating to such interaction
Chapter 9: Integrated reporting and disclosure			
Principle 9.1	The Board should ensure the integrity of the Company's integrated report	Applied	With the assistance of the independent auditors, the Audit and Risk Committee and management, the integrated report is evaluated prior to adoption by the Board
Principle 9.2 and 9.3	Sustainability reporting and disclosure should be integrated with the Company's financial reporting and independently assured	Not applied	This will be considered once integrated reporting has reached a mature state and operations are resumed

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