

## 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  |
|--|--|---------------------------------------|---|
| <b>Chapter 1: Ethical Leadership and Corporate Citizenship</b> |  |                                       |   |
| 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.   |
| 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 2015 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  |
| <b>Chapter 2: Boards and Directors</b>                         |  |                                       |   |
| 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   | Partially applied                     | 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, and another non-executive director that holds shares in the company.  |
| 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 2015 Integrated Report   |
| King III Ref   | King III Principle   | Applied/Partially                     | Commentary  |

|                                    |   | Applied/Not Applied            |  |
|------------------------------------|---|--------------------------------|--|
| 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 Nkonki Inc.  |
| 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 | Partially applied              | Mr LR Mamba is a non-executive director of the Company and was appointed to that role in 2015. He holds shares in the company, and is thus not considered to be independent.   |
| 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.  |
| 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, together with the fact that the company is not currently engaged in its primary operations, has resulted in this requirement not being met. This will be remedied once primary operations resume.                              |
| 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 have ruled that the current rate of remuneration paid to non-executives during 2015 shall remain unchanged in 2016. Executive remuneration is reconsidered when all employees' remuneration is considered.  |
| 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.   |
| <b>Chapter 3: Audit Committees</b> |   |                                |  |
| 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.  |
| King III Ref                       | King III Principle  | Applied/Partially Applied/ Not | Commentary   |

|   |  |                                |   |
|---|--|--------------------------------|---|
|   |  | applied                        |   |
| Principle 3.3   | The Audit committee is chaired by an independent non-executive director  | Applied                        | See note 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   |
| <b>Chapter 4: The Governance of Risk</b>                        |  |                                |   |
| 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 |
| <b>Chapter 5: The Governance of Information Technology (IT)</b> |  |                                |   |
| 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   |
| King III Ref  | King III Principle   | Applied/Partially Applied/ Not | Commentary  |

|                       |   |                   |  |
|-----------------------|---|-------------------|--|
|                       |   | applied           |  |
| 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 performed a risk assessment and found that the IT risk facing the company in its current dormant state is minimal.  |
| <b>Chapter 6:</b>     | <b>Compliance with Laws, Codes, Rules and Standards</b>   |                   |  |
| 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  |
| <b>Chapter 7:</b>     | <b>Internal Audit</b>   |                   |  |
| 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 |
| <b>Chapter 8:</b>     | <b>Governing Stakeholder Relationships</b>  |                   |  |
| 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                              |
| <b>Chapter 9:</b>     | <b>Integrated reporting and disclosure</b>  |                   |  |
| 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  |

A