

sustainability report

SUSTAINABLE DEVELOPMENT

In the midst of turbulent macro-economic conditions adversely impacting the coal sector, we maintain our focus on building a business that has a viable, long-term future, regardless of the different challenges it faces. As part of that future, we remain committed to sustainable development that is also of benefit to the regions and communities we operate within, and that minimises the environmental and social impacts of our activities.

Universal Coal has implemented a policy based upon responsible, proactive environmental management. We continue to comply with all relevant legislative obligations, and meet all our environmental and social responsibilities.

SAFETY AND HEALTH

Our goal is for every worker to return home safely every day.

Accordingly, we remain committed to providing safe working environments for our employees and contractors, incorporating the highest safety and health standards across all our sites. We aim to instil a work culture that views safety and health as of paramount importance, and train our employees to work responsibly and look after their own and fellow employee's health and safety.

Kangala Health and Safety Performance

Kangala has achieved 1 167 671 fatality free man hours.

To date, the Kangala Colliery has had a strong safety record, with management continuing to demand best practice from its contractors and employees. This was recognised with the operation being commended by Coal Safe 2014 (Annual Coal safety conference).

Regrettably, the Kangala Colliery was issued with a Section 54 notice in terms of the Mine Health and Safety Act due to a blasting incident that occurred in February 2015. A fully encompassing preventative action plan was subsequently developed to prevent reoccurrence, presented to and accepted by the Department of Mineral Resources.

Personal dust exposure and noise induced hearing loss were within the acceptable limits as per occupational hygiene measurements. There were no reportable cases for noise induced hearing loss in the previous year. Kangala achieved 0.54 mg/m³ of personal dust exposure (annual average), well below the target threshold of 1 mg/m³.



ENVIRONMENTAL MANAGEMENT

The company takes a proactive approach towards environmental management. As part of that approach, we developed an Environmental Management Plan (EMP) prior to any mining activity, which identifies and addresses environmental impacts that could arise during the exploration, mining and mine closure phases. Incorporated within the EMP are reports and plans to address water management, land management, waste management (non-hazardous and hazardous materials), air quality management, energy consumption and greenhouse gas emissions.

Kangala Colliery Environmental Performance

Legal environmental audits and environmental performance assessments were conducted by the regulatory authorities at the Kangala Colliery. There were no major findings from the audits. Internal environmental risk assessments have been performed and a risk register developed. Practical measures to manage and/or prevent the risks have been identified and are being implemented.

ENVIRONMENTAL MONITORING

Air quality, surface water, groundwater, aquatic and noise monitoring programmes are in place as approved in the EMP. The results of the monitoring programme are within the acceptable legal limits. No environmental penalties have been received from the regulatory authorities.

Water monitoring

Consistent surface and groundwater sampling and analysis of various chemical constituents and groundwater level measurements are conducted on a monthly and quarterly basis as required by the Water Use Licence, to ensure accurate reporting and effective management of the water resources on site and surroundings. Sulphate concentrations are considered to be the main tracing element in evaluating the potential future impacts on water resources. The highest recorded sulphates concentration in both surface and groundwater monitoring points (upstream and downstream) was 64.03 mg/l and 35.9 mg/l respectively. The measured concentrations are well below water quality objective (target) of 400mg/l specified in the Water Use Licence. Abstracted water quantity for potable use was 18 129.25m³/annum which is within 324 000m³/annum authorised quantity.

Bio-monitoring

Aquatic monitoring results for the 2014 survey period concluded that Kangala Colliery has a limited/negligible effect on the overall ecological status of the downstream aquatic ecosystems. In general, water quality in the nearby stream is fair and would not pose a significant threat to local aquatic biota.

Air quality and environmental dust fall out

Dust is one of the key pollutants of concern associated with open cast mining activities. A total of eight dust fallout monitoring stations are currently used for dust fallout and particulate matter (PM10) monitoring at Kangala Colliery. The dust fallout monitoring points located at emission sources (i.e at the pit and stockpiles) have exceeded the recommended targets. Management is implementing measures to reduce dust emission within the Mine, particularly in the areas most impacted.

Noise monitoring

An environmental noise survey is undertaken quarterly during the day time and night time at the communities surrounding the Kangala Colliery in order to establish the noise climate in the area and the potential impact on the surrounding communities. The vicinity around Kangala Mining Area is classed as a rural district in accordance with South African National Standards (SANS) 10103:2008. As a result, a 45dBA limit applies for the control of noise during the day in this region. The noise climate in the communities surrounding the Kangala Colliery were below the standard guideline (45 dBA) with an average of 42dBA.

Environmental Management System and IFC Standards

The Kangala Colliery adheres to the International Finance Corporation (IFC) standards as international HSE best practice in project finance, through the implementation of Equator Principles. Although compliance with the Equator Principles is a condition of the project finance provider, Universal Coal enforces implementation and we have also adopted and carried over the standards in other operations to ensure that all our operations are developed in a manner that is socially responsible and reflects sound environmental management practices.

An independent Equator Principles monitoring and performance review was conducted at Kangala in FY2014 to confirm that processes are in place to address the requirements of the performance standards and EHS

guidelines. Significant progress has been made towards compliance with the Equator Principles. An Equator Principles Action Plan has been developed to manage the minor audit findings (planned to be achieved in FY2015) and to further improve the system's effectiveness.

In addition, the implementation of an ISO 14001 Environmental Management System is on-going. Progress has been made through executing the corrective actions proposed in the gap analysis system audit report performed in the previous financial year. ISO certification is anticipated to be awarded in CY2016.

Mine rehabilitation

Concurrent rehabilitation activities have commenced at the Kangala Colliery.

During FY2015, both Kangala and NCC updated the estimated Life of Mine (LoM) as well as immediate closure liabilities. Provision for the costs for remediation of environmental damage are managed through the issuing of financial guarantees to the South African Department of Mineral Resources. Rehabilitation guarantees are evaluated and approved by the Department of Mineral Resources as per Section 41 of the Mineral and Petroleum Resource Development Act, Act 28 of 2002 (MPRDA).

SOCIO ECONOMIC DEVELOPMENT

We understand the social and environmental impacts on the hosting community that result from mining activities in the vicinity. Accordingly, we have developed Social and Labour Plans (SLP's) for Kangala and Brakfontein which stipulate how surrounding communities will benefit from our activities. In addition, we are in the process of developing an integrated SLP for NCC/Roodekop.

KANGALA SKILLS DEVELOPMENT PROGRAMME

Universal Coal established an Operator's Skills Training Programme to equip local residents with skills relevant for the mining sector. The programme has so far achieved 75% of its 100 operator's target. The graduation ceremony for the candidates that successfully completed the programme were confirmed to be competent operators in terms of the SAQA/MQA was held in June 2015. Thirteen operators have now been employed by the Kangala Colliery.



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The operator's skills training initiative has fulfilled the commitment to equip several local residents with mining skills, enabling them to become employable in the mining industry. The initiative is particularly beneficial to local residents who do not qualify for admission to the FET College (another project initiated and sponsored by Universal Coal and described in more detail below), as it provides them greater employment opportunities.

We have made good progress in recruiting local residents where possible to work at Kangala. We make every effort to ensure that the majority of required core skills for the operation are sourced from the local community, and take pride in that approximately 85% of our Kangala labour force is now sourced from the local municipality area.

KANGALA LOCAL ECONOMIC DEVELOPMENT INITIATIVE AT KANGALA COLLIERY

In partnership with the Department of Education, the local municipality and a neighbouring mining house, Universal Coal is co-funding the establishment of a Further Education Training (FET) college in Delmas, which will be a satellite campus of the Witbank Nkangala FET College. The FET college will provide opportunities to local community members to further their studies, acquire relevant mining skills and improve their employability at local and regional mines. We anticipate the college being opened in FY2016.

STAKEHOLDER ENGAGEMENT

We recognise that our activities impact the regions in which we operate. As a company, Universal Coal is committed to continuing its strong, collaborative engagement approach with local communities and other affected parties, shareholders, regulatory authorities and governments.

We continue the process of identifying all relevant stakeholders in order to provide pertinent information regarding Kangala and NCC including the financial, governance, environmental and social consequences of these operations. This process is crucial in that the stakeholders obtain sustainable economic benefit from our operations, and we in return receive direct feedback from all stakeholders.

Ongoing consultation continues with the Kangala Colliery community representatives, local and provincial government and other stakeholders. This provides the company an opportunity to engage with stakeholders on matters including local preferential procurement, local employment and future community upliftment projects.

Thus far, all officially lodged community complaints and concerns have been addressed to the satisfaction of the complainant.

KANGALA COLLIERY: SOUTH AFRICAN MINING CHARTER REPORTING

Mining Charter is the broad-based socio-economic empowerment Charter for the South African Mining and Minerals Industry in terms of Section 100(2) (a) of the MPRDA which provides for the development of the Mining Charter as an instrument to effect transformation with specific targets.

The overall Mining Charter compliance level achieved in 2014 calendar year is 92%.

Reporting

The Mining right holder is required to report the level of compliance with the Mining Charter by calendar year (annually). Kangala reported its progress against the Mining Charter requirements in 2014.

Ownership

Mining Charter required equal or greater than 26% historically disadvantaged South African entities (HDSA) ownership credits by December 2014. Kangala colliery has met the HDSA ownership target of 26% with HDSA ownership of 29.5%.

Housing and living conditions

The Mining Charter has set a target of 100% conversion of hostels by reducing occupancy to one person per room and conversion of hostels into family units by 2014. This element is not applicable to our operation as Universal Coal does not provide accommodation for employees.

Procurement and Enterprise Development

Mining right holders are required to achieve a certain level of procurement spending with black-owned entities on capital goods, services and consumables in order to encourage the economic empowerment and development of such suppliers. The targets for 2014 were 40% on Capital goods, 70% Services, 50% consumables and 0.5% of annual spend on procurement from multinational suppliers. We succeeded and attained

73% Capital goods, 79% services, 100% consumables and 0% spent on procurement from multinational suppliers. The average score for procurement and enterprise development is 84%.

Employment Equity

Workplace diversity and equitable representation by historically disadvantaged South Africans at all levels are considered catalysts for social cohesion, transformation and competitiveness. Mining charter set 40% target for top, senior and junior management, core and critical skills. Kangala exceeded the target and achieved 75% top management, 67% senior management, middle management 100%, junior management 100% and 83% core and critical skills. The average score for employment equity is 84%.

Human Resource Development

We exceeded the mining charter target of 5% total annual payroll expenditure on implementation of human resource development and training by more than 50%.

Mine Community development project

The charter requires that the mining right holders maintain the social licence to operate through meaningful contributions towards community development, particularly in communities close to the mines and in labour-sending areas. Full compliance achieved on implementation of community project as committed in Social and labour plan. The set target by the mining charter was 1% of profit after tax and Kangala spent 7.1% on community operators training project.

Sustainable development

Implementation of the tripartite plan on mine health and safety, approved environmental management plans (EMP) and utilisation of South African facilities for analysis of samples. The 2014 targets were 100% for all three aspects. We achieved full compliance on EMP implementation and utilisation of South African facilities for analysis. In 2014 our results were below target, however in the 2015 year through the implementation of health and safety (H&S) systems and increased efforts and actions from management, we aim to achieve the targets set out in the Mining Charter.

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