



ENVIRONMENTAL REHABILITATION PROVISIONING

Calculation of the quantum, accounting and financial provisioning required for factory and mine rehabilitation, decommissioning, demolition and closure

This policy will be applicable to all PPC mining operations and subsidiaries over which PPC has management control. The policy is designed to standardise the following aspects relating to mine and factory rehabilitation and closure:

- » Define the PPC standards for concurrent rehabilitation and closure of mine and factory
- » Calculate the costs for concurrent rehabilitation and closure of mine and factory
- » Specify the financial provisioning methodology for above
- » Specify the accounting treatment for above

At operations where PPC does not have management control, PPC will strive to establish a similar policy.

This Group Rehabilitation and Closure Policy must be aligned with all in-country legislation, environmental authorisations and mining right requirements, be compatible with in-country financial, social-economic and reputational perspectives or where appropriate, aligned with internationally accepted practices.

Standards

PPC standards were developed for mine rehabilitation based on the adopted guideline methodology as outlined by the Mineral and Petroleum Resources Development Act (Act 28 of 2002). These are generally in line with good mining practices.

Costs

The costs are calculated in two phases; namely phase 1 and phase 2. In the first phase; the basic components and master rates as per MPRDA guideline are used. No adjustment for reduced costs as a result of e.g. end-use objectives are applied. This quantum will in general render a conservative cost i.e. over-estimating the actual quantum.

The second phase will improve the accuracy of Phase 1 as more baseline knowledge is accumulated and the site moves closer to scheduled closure. The following sequence of determination is defined in the policy:

- » **Baseline studies to identify rehabilitation commitments**
 - Environmental and Social Impact Assessment
 - Ongoing Public Participation records and submissions (to inform and modify all plans)
 - Life of Mine which will include the phased development plan
 - Environmental Management Plan incorporating where applicable:
 - *Concurrent Rehabilitation Plan*
 - *Mine Decommissioning and Closure Plan*
 - *Latent Risk Assessment*
- » **Environmental Reconciliation to quantify concurrent and closure rehabilitation areas**
- » **Calculate the cost of concurrent rehabilitation and mine and plant closure**

Mine rehabilitation and closure addresses both rehabilitation which can be conducted concurrently with mining, including any rehabilitation backlog and the activities required to achieve mine closure after cessation of mining. Various rehabilitation and closure components are assigned Master Rates (RSA rates are prescribed by DMR), which can be adapted based on site specific conditions, in-country conditions and legislation, Environmental Authorisations etc.

An Environmental Reconciliation exercise will be conducted annually to determine concurrent rehabilitation performance at each site. A benchmark is set to achieve 95% concurrent rehabilitation of un-rehabilitated areas suitable for rehabilitation (backlog).

For calculation of the concurrent rehabilitation cost (including backlog), only the variable cost will be used in determining these master rates as it is deemed a going concern situation. This quantum of cost for concurrent rehabilitation will be used for budgeting purposes and will not form part of the cost calculation and quantum for mine closure.

For calculation of the mine closure cost, the battery limit of a mining operation is defined by the disturbed area up to the point where it discharges its final product or as determined by other practical considerations. Calculation of the quantum will assume the mine closure rehabilitation will be conducted after the cessation of production. The quantum calculated will reflect the unforeseen closure cost at the time of the environmental reconciliation which will include any existing concurrent rehabilitation.

Factories associated with a mine are factories linked to a mine by private road, rail, or conveyor belt. These sites will require decommissioning and demolition of all structures not required in the end-use and site rehabilitation. Costs will be as determined by a recognized demolition company or from an engineering company. A final decommissioning and closure plan will be developed within 10 years of plant closure.

Stand-alone factories will be decommissioned to render the site safe in a socially and environmentally acceptable manner. No provision will be made unless required by local legislation.

Financial provisioning

Financial provision will be made per country complying with local legislation and funding conditions. In the absence of prescriptive legislation regarding provisioning or in the case of a projected shortfall, within at least 10 years from closure, the respective companies will start to set aside funds to meet the closure costs.

Provisioning where required will use the most cost-effective and least restrictive alternatives. A provision for temporary closure for a maximum period of two years, will be funded per site or country.

Accounting provision

An accounting provision shall be recognised for:

- » Mine rehabilitation and closure and
- » Associated factory decommissioning, demolition and rehabilitation or
- » Stand-alone factory decommissioning and making safe, when:
 - a site has a present obligation (legal or constructive) as a result of a past event; and
 - it is probable that an outflow of resources (cash payment or similar) will be required to settle the obligation;
 - and a reliable estimate can be made of the amount of the obligation.