



**MASTER DRILLING**

**Master Drilling Group Limited (“the Company”)**

**Social, Ethics and Sustainability  
Committee Charter 2019**

**1. Introduction**

- 1.1 The Social, Ethics and Sustainability Committee (the “Committee”) is constituted as a committee of the Board (the “Board of Directors”) of the Master Drilling Group Limited and its subsidiaries in terms of section 72(4) of the Companies Act no. 71 of 2008 (the "Companies Act") read with regulation 43 of the Companies Regulations, 2011 and in accordance with the King IV Report on Corporate Governance for South Africa 2016 (“King IV”).
- 1.2 The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations. Any overlap between the duties and responsibilities of this Committee and those of another shall be deferred to that Committee for deliberation and determination.
- 1.3 These terms of reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation (“MOI”), King IV and any other applicable law or regulatory provision.

**2. Purpose of the terms of reference**

- 2.1 The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

**3. Composition of the Committee**

- 3.1 The Committee shall be appointed by the Board of Master Drilling Group Limited.
- 3.2 The committee shall comprise:
  - 3.2.1 a minimum of three Board members, executive and non-executive members, of which the majority shall be non-executive Board members;
  - 3.2.2 at least one Board member who has not been involved in the day-to-day management of the Company's business and must not have been so involved within the previous three financial years.

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- 3.3 The chair of the governing body may be a member of the governing committee but should not be its chair.
- 3.4 The Chairperson of the committee who shall be an independent non-executive director shall be appointed by the Board.
- 3.5 The members of the Committee should collectively have sufficient qualifications and experience to fulfill their duties, in particular the knowledge of the industry, the markets in which the Company operates, business ethics and the understanding of the community and/or material stakeholders of the business.
- 3.6 The Committee members keep up-to-date with developments affecting the required skill-set and the Board may from time to time review the composition so as to meet the requirements of the Act and regulations.
- 3.7 Notwithstanding the above, the Board shall have the power at any time to remove any members from the committee and to fill any vacancies so created by such removal.
- 3.8 The Group Company Secretary shall be the secretary of the Committee.

### **4. Role**

- 4.1 The Committee has an independent role with accountability to the Board and is required to report annually to shareholders through its Chairperson.
- 4.2 The Committee shall not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 4.3 The overall role of the Committee is to ensure that the Company complies with s72 (4) to (10) read with regulation 43 of the Companies Act 2008 and to assist the Board with the oversight of social, environmental, compliance, stakeholder and ethical matters relating to the Company as required under King IV.

### **5. Responsibilities**

- 5.1 The Committee is constituted as the custodian of the Companies performance and standing as a corporate citizen and its role and responsibility shall be to:

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- 5.1.1 Oversee the development of policies, guidelines, standards and practices for matters relating to safety, health, sustainable development, environment, employment, stakeholder and customer relations, social and ethics conduct of the Company.
- 5.1.2 Review and approve the Business Code of Conduct and Ethics, the Compliance policy, the Environmental policy and the Anti-corruption and Bribery policy on an annual basis. These policies shall encompass the Company's interaction with both internal and external stakeholders and the broader society and shall also address the key ethical risks of the Company.
- 5.1.3 Ensure that the codes of conduct and ethics policies provide for arrangements that familiarise employees and other stakeholders with the Company's ethical standards.
- 5.1.4 The Committee shall exercise oversight of the management of ethics.
- 5.1.5 The Committee shall oversee the process for setting the direction and approach taken by the Company with regards to being a responsible corporate citizen.
- 5.1.6 The Committee shall ensure that the Company's responsible citizenship efforts include compliance with the Constitution of the Republic of South Africa (including the Bill of Rights), the law, leading standards, and adherence to its own codes of conduct and policies.
- 5.1.7 The Committee shall oversee and monitor, on an ongoing basis, how the consequences of the Company's activities and outputs affect its status as a responsible corporate citizen.
- 5.1.8 The Committee shall assist the Board with the oversight of the governance of compliance by the Group in accordance with King IV, applicable laws and adopted non-binding rules, codes and standards in a way that support the Group being an ethical and a good corporate citizen.
- 5.1.9 The Committee shall oversee stakeholder relations within the Group, which shall encompass the Group adopting a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Group overtime.
- 5.1.10 Review and recommend for approval by the Board appropriate and best practice standards the Company should apply on matters falling under its mandate.
- 5.1.11 In addition, the Committee performs the following duties, delegated by the Board:
  - 5.1.11.1 Oversees the performance of subsidiaries on matters referred to in clause 5.1.1 to 5.1.3 above;

5.1.11.2 Ensure that the Group's ethics are managed effectively in accordance with the recommendations of King IV and the Companies Act respectively;

5.1.11.3 Coordinate its activities with those of other committees for the purpose of the Company's Sustainability and Integrated Report and reporting to shareholders;

5.1.11.4 Develop and present an annual work plan to the Board that prioritises key areas for consideration having regard to its mandate and the needs of the Company.

5.1.11.5 Details of monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance should be disclosed.

## **6. Authority**

6.1 The Committee acts in accordance with the delegated authority of the Board as recorded in these terms of reference and within the powers prescribed in the Company's MOI.

6.2 It has the powers to, in terms of the Companies Act investigate any activity within the scope of its terms of reference.

6.3 The Committee, in the fulfilment of its duties, may call upon the chairpersons of the other Board committees, any of the executive directors, Company officers, Company Secretary or assurance providers to provide it with information subject to a Board approved process.

6.4 The Committee has access to the Company's records, facilities and employees necessary to discharge its duties and responsibilities subject to following Board approved process and may:

6.4.1 require from any director or prescribed officer of the Company any information or explanation necessary for the performance of its functions;

6.4.2 request from any employee of the Company any information or explanation necessary for the performance of its functions.

6.5 The Committee may form, and delegate authority to, subcommittees, one or more designated members of the Committee and to one or more members of the executive.

6.6 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at Company's cost, subject to a Board approved process being followed (prior approval of the Chairman and Chief Executive Officer).

## **7. Meetings and Procedures**

### **7.1 Frequency**

7.1.1 The Committee holds sufficient scheduled meetings to discharge all its duties as set out in these terms of reference and annual work plan but subject to a minimum of two meetings per year.

### **7.2 Attendance**

7.2.1 Other assurance providers, professional advisors and Board members may be in attendance at Committee meetings, by invitation only, at the discretion of the Chairperson.

7.2.2 As the directors' fees comprise a fixed annual portion and a portion based on attendances at Board and committee meetings, Committee members are therefore required to attend scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or committee secretary.

7.2.3 If the elected Chairperson of the Committee is absent from a meeting, the members present elects one of the members present to act as chairman.

7.2.4 The chairman and other members of the committee shall be entitled to:

7.2.4.1 Attend any general meetings of the shareholders of the Company including the annual general meeting;

7.2.4.2 Receive notices of and other communications relating to any annual or general meeting of the shareholders of the Company; and

7.2.4.3 Be heard at any annual or general meeting of the shareholders of the Company on any part of the business of the meeting that concerns the functions of the committee.

### **7.3 Agenda and minutes**

7.3.1 The Committee establishes an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

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- 7.3.2 Reasonable notice of each meeting of the Committee and the agenda shall, other than under exceptional circumstances, be given to each member of the Committee. In all other circumstances a detailed agenda, together with supporting documentation, is circulated, at least one week prior to each meeting to the members of the Committee and other invitees.
- 7.3.3 Committee members shall adequately prepare for meetings in order to provide appropriate and constructive input on matters discussed.
- 7.3.4 The minutes are completed as soon as possible after the meeting and circulated to the Chairperson and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.
- 7.3.5 Minutes of the meeting signed by the Chairperson are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of a formal meeting or otherwise.
- 7.3.6 Minutes of meetings shall be taken by the Group Company Secretary. Information and minutes of any previous meetings of the Committee must be distributed to Committee members within a reasonable time prior to the next meeting of the Committee.
- 7.3.7 All minutes of meetings of the Committee must be reviewed by the Committee chairman prior to their distribution to the Committee members for review and approval.
- 7.3.8 Any director may, provided that there is no conflict of interest and with the consent of the chairperson of the Committee, obtain copies of the Committee's minutes.
- 7.3.9 Every member of the Board is entitled to attend any Committee meeting as an observer. However, unless that Board member is also a member of the Committee, the Board member is not entitled to participate without the consent of the Committee chairman; does not have a vote; and is not entitled to fees for such attendance, unless the shareholders of the Company have approved such fees.
- 7.3.10 The members of the committee and invitees, if any, may participate in any meeting of the committee through the use of a conference telephone, video conference or other communication equipment by means of which all person participating in the meeting can hear each other at approximately the same time, provided that only members of the Committee shall be entitled to vote at such meetings. Such participation by members constitutes attendance and presence in person at the meeting and a member who so participates will form part of the quorum necessary for the transaction of the business meeting.

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- 7.3.11 The Company Secretary shall ascertain at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflict of interest exists, the director subject to the conflict shall not participate or vote on the issue giving rise to the conflict.

### **7.4 Quorum**

- 7.4 Two-thirds of members of which one must be a non-executive director constitute a quorum for a meeting.

- 7.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings and accordingly may not vote on any matter.

### **7.5 Remuneration**

- 7.5.1 Non-executive members of the Committee shall be paid such remuneration in respect of their appointment as approved by the shareholders.
- 7.5.2 The Chairman of the Committee shall, in addition to his or her remuneration as member, receive a further sum as approved by the shareholders.
- 7.5.3 The above fees shall be subject to review by the Board from time to time and annual approval by the shareholders.

## **8. Reporting requirements**

- 8.1 The Committee must report to the Board on its activities at the Board meeting following each meeting of the Committee. Such report may include draft or approved minutes of previous meetings of the Committee and written resolutions adopted by the Committee.

- 8.2 Review, monitor and report on the Company's activities and performance having regard to any relevant legislation, other legal requirement or prevailing best practice with regards to matters relating to social and economic development, including the Company's standing in terms of the goals and purposes of:

- 8.2.1.1 the 10 principles set out in the United Nations Global Compact Principles;

- 8.2.1.2 the OECD recommendations regarding corruption;

- 8.2.1.3 the Employment Equity Act;

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- 8.2.1.4 the Broad-Based Black Economic Empowerment Act;
- 8.2.1.5 good corporate citizenship, including the Company's:
  - 8.2.1.5.1 promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - 8.2.1.5.2 contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - 8.2.1.5.3 record of sponsorship, donations and charitable giving;
- 8.2.1.6 consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws; and
- 8.2.1.7 labour and employment, including:
  - 8.2.1.7.1 the Company's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
  - 8.2.1.7.2 the Company's employment relationships, and its contribution toward the educational development of its employees.
- 8.2.1.8 Drawing matters within its mandate to the attention of the Board as occasion requires; and
- 8.2.1.9 Reporting, through the Chairman, to the shareholders at the Company's annual general meeting on the matters within its mandate.

### 8.3 The Committee must provide the following information in the Integrated Annual Report –

- 8.2.1 a summary of the role, responsibilities and functions of the Committee;
- 8.2.2 a statement on whether or not the Committee has adopted formal terms of reference that have been approved by the Board and if so, whether the Committee is satisfied that it carried out its responsibilities, for the period reported on, in compliance with these Terms of Reference
- 8.2.3 the composition of the Committee, including the names of all members of the Committee during the period reported on, their qualifications and experience and the period for which they served on the Committee

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- 8.2.4 the number of meetings of the Committee held during the period reported on and Committee members' attendance at these meetings;
- 8.2.5 external advisers or invitees who regularly attend Committee meetings;
- 8.2.6 key areas of focus during the reporting period; and
- 8.2.7 information about any other responsibilities assigned to the Committee by the Board.

### **9. Evaluation**

- 9.1 The Committee performs a self-evaluation of its effectiveness each alternate year and reports the results thereof to the Board.

### **10. Approval of these terms of reference**

- 10.1 This Charter shall be reviewed annually and may be amended from time to time as required, subject to the approval of the Board.

**This Charter was reviewed and approved by the Board of Directors in March 2019.**