



**MASTER DRILLING**

**Master Drilling Group Limited**

## **Risk Committee Terms of Reference**

## **1. INTRODUCTION**

- 1.1 The Master Drilling Group Limited Board of Directors ("the Board") assumes responsibility for the governance of risk within Master Drilling Group Limited ("Group").
- 1.2 The governance of risk encompasses considering opportunities and associated risks when developing the Group strategy as well as the potential positive and negative effects of those risks on achieving the Group objectives.
- 1.3 The Board has established a Risk Committee ("the Committee") to assist it with the governance of risk, and mandated the Committee to act at the behest of the Board in fulfilling the Board's duties and responsibilities in this regard, subject to Board approval where required.
- 1.4 The role of the Committee is to assist the Board in setting direction to how risk is assessed and managed while adopting a stakeholder inclusive approach, as well as to direct and oversee that the Group has implemented an effective policy and plan for risk management, including, as far as "compliance" is concerned, compliance management as envisaged in Clause 8.2 below.

## **2. RISK PHILOSOPHY AND TOLERANCE**

- 2.1 Master Drilling is recognized as a world leader in the raisebore drilling services industry and provides specialised drilling services to blue-chip major and mid-tier companies in the mining, civil engineering and energy sector, across a number of commodities.
- 2.2 The group head office is located in Fochville, Gauteng, South Africa. Master Drilling comprises two main operational sub-groups – South African operations and international, where opportunities and risks have been and must continue to be adequately identified, measured, evaluated and then subsequently managed so that the risk-reward relationship remains within parameters acceptable to the Board.
- 2.3 Risk governance is an integral part of the Board's decision-making process and the manner in which it executes its duties.

## **3. MANDATE AND PURPOSE OF THE TERMS OF REFERENCE**

- 3.1 The primary purposes of the Committee are:
  - 3.1.1 to establish and maintain a common understanding of the risk universe as it applies to the Group, which needs to be addressed in order to meet strategic objectives;
  - 3.1.2 identify and agree with the Board the risk profile of the Group including the ten most important risks affecting the Group, the risk appetite of the Group and the risk tolerance of the Group;
  - 3.1.3 satisfy the corporate governance reporting requirements regarding risk management;
  - 3.1.4 monitor the Group's risk management and assurance efforts, and

- 3.1.5 exercise ongoing oversight of risk management within the Group and, in particular, oversee that it results in the following:
  - 3.1.5.1 An assessment of risks and opportunities emanating from the triple context (combined external environment) in which the Group operates and the capitals that the Group uses and affects (King IV identifies and proposed the following “six - capitals” model being: financial, manufactured, intellectual, human, social and relationship, and natural capitals)
  - 3.1.5.2 An assessment of the potential upside, or opportunity, presented by risks, but taking cognisance of potentially negative effects on achieving Group objectives;
  - 3.1.5.3 An assessment of the Group's dependence on resources and relationships as represented by the various forms of capital;
  - 3.1.5.4 An assessment of the Group's dependence on resources and relationships;
  - 3.1.5.5 The design and implementation of appropriate risk responses;
  - 3.1.5.6 The establishment and implementation of business continuity arrangements that allow the Group to operate under conditions of volatility, and to withstand and recover from acute shocks;
  - 3.1.5.7 The integration and embedding of risk management in the business activities and culture of the Group,
  - 3.1.5.8 Report to the Board on the risk management work undertaken and the extent of action taken by management to address areas identified for improvement; and
  - 3.1.5.9 Periodic assurance to be provided.

#### **4. COMPOSITION OF THE COMMITTEE**

- 4.1 The Board shall appoint the Committee. The membership of the Committee shall include executive and non-executive members. The majority of the Committee members shall be non-executive;
- 4.2 The Chairperson of the Board may be a member of the risk committee and may also be its Chairperson;
- 4.3 At least one member of the Committee shall also be a member of the Audit Committee. The Chairperson of the Committee is elected by the Board and shall be an independent non-executive director;
- 4.4 The Chief Audit Executive is authorised to, and should, attend all meetings of the Committee;
- 4.5 The Group Risk and Assurance Manager should be a standing invitee to the meeting;
- 4.6 The Committee may invite other persons to attend any of its meetings, including persons having responsibility for managing and reporting on any of the top ten risks affecting the Company;
- 4.7 All members of the Committee shall have a working familiarity with risk assessments and risk management. The members of the Committee shall be knowledgeable about the affairs of the Group and where appropriate specific skills shall be represented on the Committee;
- 4.8 Committee members may enhance their familiarity with risk management by participating, at the Company's expense, in educational programmes conducted by the Group or an outside consultant.

## 5. ROLE

- 5.1 The Committee has an independent role, providing an oversight function and recommendations to the Board for its consideration and final approval.
- 5.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 5.3 The role of the Committee is to assist the Board to ensure that: -
  - 5.3.1 the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives; and
  - 5.3.2 the disclosure regarding risk is appropriate, timely, and in line with best practice.

## 6. MEETINGS AND PROCEDURES

### 6.1 Frequency

- 6.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of 3 (three) meetings per year.
- 6.1.2 Meetings in addition to those scheduled may, with approval of the Chairperson, be held at the request of the Chief Executive, Group Risk Officer or other members of senior management or at the instance of the Board.
- 6.1.3 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 of the meeting.

### 6.2 Agenda and Minutes

- 6.2.1 The Group Company Secretary must attend and minute the proceedings of all meetings.
- 6.2.2 The minutes of the meetings shall be completed as soon as reasonably possible after such meeting and shall be circulated to all members of the Committee and other relevant personnel as directed. The minutes shall be tabled at a subsequent Board meeting;
- 6.2.3 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;
- 6.2.4 All minutes of meetings of the Committee must be reviewed by the Committee Chairperson prior to their distribution to the Committee members for review;
- 6.2.5 The minutes must be formally approved by the Committee at its next scheduled meeting;
- 6.2.6 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 minutes of meetings of the Committee;

- 6.2.7 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 Risk Committee, the Board member shall not be entitled to participate without the consent of the Committee Chairperson; does not have a vote; and is not entitled to fees for such attendance;
- 6.2.8 The Group 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.

### 6.3 Quorum

A quorum for meetings is a majority of members present. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

## 7. AUTHORITY

- 7.1 The Board acknowledges its responsibility to monitor and review the risk management strategy of the Group and delegated this responsibility to the Committee. The Committee assists the Board in fulfilling this responsibility.
- 7.2 The Committee has unrestricted access (unless there are sound legal or other reasons for not having such unrestricted access) to all information, including records, property and personnel of the Group are relevant to the Committee's functions, and must be provided with adequate resources in order to fulfil its responsibilities.
- 7.3 The Committee is authorised by the Board to:
- 7.3.1 Investigate any activities within its terms of reference.
  - 7.3.2 Seek outside legal or other independent professional advice at the cost of the company subject to the prior approval of the Chairperson of the Board.
  - 7.3.3 Secure the input of outsiders with the relevant experience and expertise where necessary at the Group's expense.
  - 7.3.4 Seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the Committee.

## 8. RESPONSIBILITIES

The Committee must perform all the functions as is necessary to fulfil its role as stated afore and including the following:

### 8.1 Risk Management

- 8.1.1 Recommending the risk management policy and framework to the Board for approval;
- 8.1.2 Recommending the appetite and tolerance framework to the Board for approval;
- 8.1.3 Recommending the risk management implementation plan to the Board for approval;
- 8.1.4 Reviewing progress against the risk management implementation plan;
- 8.1.5 Reviewing the effectiveness of the risk management measures;

- 8.1.6 Considering emerging issues, their significance to Master Drilling Group Limited and associated developments;
- 8.1.7 Reviewing the reports on incidents, losses and claims;
- 8.1.8 Reviewing the adequacy and completeness of the strategic risk register and material risks emanating from the divisional and group functional registers;
- 8.1.9 Assessing whether there are appropriate processes and controls in place to manage the risks down to an acceptable level, in line with the Board's approved risk appetite and tolerance levels;
- 8.1.10 Reviewing the material risks as profiled by management and applying the Committee's own assessment of the completeness thereof and making suggestions of additional risks to be considered;
- 8.1.11 Reviewing the adequacy and completeness of insurance cover on an annual basis;
- 8.1.12 The Audit Committee shall be responsible for ensuring that an effective and sufficiently robust combined assurance plan/model is applied to provide a coordinated approach to all assurance activities, so as to enable the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports. The Committee will provide input to the Audit Committee on the alignment of the combined assurance plan with identified key risks.
- 8.1.13 Evaluating and assessing the effectiveness of risk management in order to provide an assessment of the adequacy of the risk management process;
- 8.1.14 Considering the need for periodic independent assurance on the effectiveness of risk management;
- 8.1.15 Reporting critical risk information to the Board, including:
  - 8.1.15.1 The results of the independent risk maturity and effectiveness review;
  - 8.1.15.2 Progress against the risk management plan, including recommended amendments;
  - 8.1.15.3 The material risks facing the Group which include the strategic risks, the material risks per division and function as well as potentially material emerging issues;
  - 8.1.15.4 Remedial actions taken and their effectiveness; and
  - 8.1.15.5 Consolidated and material incidents and associated losses together with analyses of their causes.
- 8.1.16 Respecting the confidentiality of all information placed before it;
- 8.1.17 Reviewing the impact of any new legislation or changes to existing legislation, with reference to Master Drilling Group Limited;
- 8.1.18 Monitoring information to identify and oversee response to reputational risk;
- 8.1.19 Monitoring the impact that material litigation could have on the Group;
- 8.1.20 Liaising with the Social, Ethics and Sustainability Committee to exchange information on whether adequate and effective controls and processes are in place to ensure regulatory compliance and liaising with the Audit Committee and the Social, Ethics and Sustainability Committee to exchange information relevant to risks and internal controls.

## 8.2 Compliance Management

- 8.2.1 Overseeing the development and annual review of a policy and plan for compliance management to recommend for approval to the Board;
- 8.2.2 Monitoring implementation of the policy and plan for compliance management conducted;
- 8.2.3 Ensuring that compliance management assessments are performed on a continuous basis and that continuous compliance monitoring by management takes place;
- 8.2.4 Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable compliance risks;

- 8.2.5 Ensuring that management considers and implements appropriate compliance management responses;
- 8.2.6 Liaising closely with the Audit Committee to exchange information relevant to compliance;
- 8.2.7 Expressing the Committee's opinion to the Board on the effectiveness of the system and process of compliance management;
- 8.2.8 Assuming responsibility for the governance of compliance with applicable laws and binding as well as adopted, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed in the organisation;
- 8.2.9 Approving policy that articulates and gives effect to its direction on compliance, and that identifies which non-binding rules, codes and standards the organisation has adopted;
- 8.2.10 Overseeing managements responsibility for the implementation and execution of effective compliance management;
- 8.2.11 Exercising ongoing oversight of compliance and, in particular, oversee that it results in the following:
  - 8.2.11.1 Compliance being understood not only for the obligations it creates, but also for the rights and protections it affords;
  - 8.2.11.2 Compliance management taking a holistic view of how applicable laws and binding as well as non-binding rules, codes and standards relate to one another;
  - 8.2.11.3 Continual monitoring of the regulatory environment and appropriate responses to changes and developments.
- 8.2.12 Considering the need to receive periodic independent assurance on the effectiveness of compliance management.
- 8.2.13 The following should be disclosed in relation to compliance:
  - 8.2.13.1 An overview of the arrangements for governing and managing compliance;
  - 8.2.13.2 Key areas of focus during the reporting period;
  - 8.2.13.3 Actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed;
  - 8.2.13.4 Planned areas of future focus;
  - 8.2.13.5 Material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the organisation or on members of the Board or officers should be disclosed; and
  - 8.2.13.6 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.
- 8.2.14 The Committee is not responsible for overseeing IT Governance as the Board has delegated these responsibilities to the Audit Committee but will take cognisance of risks to the company in this area.

### **8.3 Safety, Health and Environment ("SHE")**

In SHE matters the role of the Committee shall be:

- 8.3.1.1 to review the policies and performance of the Company, its divisions and its managed subsidiaries and the progressive implementation of these policies;
- 8.3.1.2 to examine and advise on the most appropriate methods of environmental performance measurement to be adopted and the levels of improvement that the Company should be pursuing;
- 8.3.1.3 to review the public reporting criteria to be adopted;

- 8.3.1.4 to encourage independently managed subsidiaries, associates and significant investments to develop policies, guidelines and practices congruent with the Company's environmental, health and safety policies;
- 8.3.1.5 to receive reports covering matters relating to substantive SHE-related risks and liabilities relating to:
  - 8.3.1.5.1 the Company's Head Office and its divisions (and may request such reports from appropriate Directors of the Company);
  - 8.3.1.5.2 managed subsidiaries (and may request such reports from the relevant representatives of the Company serving on the boards of these companies or their equivalent committees); and
  - 8.3.1.5.3 independently managed subsidiaries, associates and significant investments where appropriate, and may request the relevant representatives of the Company serving on the boards of these companies or their equivalent committees to assess whether such matters are receiving due attention in the manner congruent with the Company's policies.
- 8.3.1.6 to review Group environmental legacy remediation policies and progress;
- 8.3.1.7 to monitor key indicators on incidents and, where appropriate, ensure that such information is communicated to other companies managed by or associated with the Company;
- 8.3.1.8 to consider substantive national and international regulatory and technical developments in the fields of SHE management; and
- 8.3.1.9 to facilitate participation, co-operation and consultation on SHE-related matters of governments, national and international organisations, super-national authorities, other companies and other SHE-related bodies.

## 9. REPORTING REQUIREMENTS

- 9.1 Apart from the Committee's aforementioned reporting of critical risk information to the Board, the Chairperson of the Committee shall also provide fulsome verbal feedback on the Committee's activities and meetings at each Board meeting.
- 9.2 The Committee shall on an annual basis review and recommend to the Board for approval a Risk Governance report, which shall include the following disclosures:
  - 9.2.1 The nature and extent of the risks and opportunities the Group is willing to take, without compromising sensitive information;
  - 9.2.2 An overview of the arrangements for governing and managing risk;
  - 9.2.3 Key areas of focus during the reporting period, including objectives, the key risks that the Group faces, as well as undue, unexpected or unusual risks taken outside of the risk tolerance levels;
  - 9.2.4 Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed; and
  - 9.2.5 Planned areas of future focus.



- 9.3 The Risk Governance report shall contain sufficient information to inter alia assist in identifying and ranking the material risks of the group and the material risks per division, indicating any changes to the risks and their ranking, the performance of controls for these risks, the status of action plans where risk control improvements are appropriate, any significant losses and unwanted events in the Group, and any material changes in the Group's risk/reward profile.

## **10. REIMBURSEMENT OF EXPENSES**

- 10.1 Members of the Committee should ensure that they are reimbursed for all direct and indirect expenses reasonably and properly incurred in performance of their duties as a member, e.g. accommodation and travelling expenses.
- 10.2 In addition to fees payable to them as directors of the Company from time to time, members of the Committee shall receive attendance fees for attending meetings of the Committee and for performing any additional Committee functions in accordance with the Company's remuneration policies as approved by the shareholders of the Company. The remuneration shall be fair, responsible and transparent so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

## **11. REVIEW AND ASSESSMENT**

- 11.1 The Committee's activities and effectiveness should be assessed periodically and reviewed by the Board.
- 11.2 This mandate and terms of reference may, from time to time, be amended as required, subject to the approval of the Board.
- 11.3 These terms of reference will be reviewed annually or where otherwise required.

**This Terms of reference was reviewed and approved by the Board of Directors in March 2020.**