



**MASTER DRILLING**

**Master Drilling Group Limited**

# **Risk Committee Charter 2019**

## **1. CONSTITUTION**

- 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 Risk Committee") to assist it with the governance of risk.
- 1.4 The role of the Risk 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 oversee and direct that the Group has implemented an effective policy and plan for risk management and compliance. The Risk Committee is appointed to act on behalf of Master Drilling Group Limited.

## **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. PURPOSE**

- 3.1 The primary purposes of the Risk Committee are to:
  - 3.1.1 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 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;
- 3.2 satisfy the corporate governance reporting requirements;
- 3.3 monitor the Group's risk management and assurance efforts, and

3.4 exercise ongoing oversight of risk management within the Group and, in particular, oversee that it results in the following:

- 3.4.1 An assessment of risks and opportunities emanating from the triple context in which
- 3.4.2 the Group operates and the capitals that the Group uses and affects;
- 3.4.3 An assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving Group objectives;
- 3.4.4 An assessment of the Group's dependence on resources and relationships as represented by the various forms of capital;
- 3.4.5 An assessment of the Group's dependence on resources and relationships;
- 3.4.6 The design and implementation of appropriate risk responses;
- 3.4.7 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;
- 3.4.8 The integration and embedding of risk management in the business activities and culture of the Group, and
- 3.4.9 Report to the Board on the risk management work undertaken and the extent of action taken by management to address areas identified for improvement.

#### **4. RESPONSIBILITIES AND DUTIES**

4.1 The responsibilities and duties of the Risk Committee shall include:

- 4.1.1 Recommending the Risk Management Policy and Framework to the Board for approval.
- 4.1.2 Recommending the appetite and tolerance framework to the Board for approval.
- 4.1.3 Recommending the risk management implementation plan for approval by the Board.
- 4.1.4 Reviewing the progress against the risk management implementation plan.
- 4.1.5 Reviewing the effectiveness of the risk management arrangements.
- 4.1.6 Considering emerging issues, their significance to Master Drilling Group Limited and associated developments.
- 4.1.7 Reviewing the reports on incidents, losses and claims.
- 4.1.8 Reviewing the adequacy and completeness of the strategic risk register and material risks emanating from the divisional and group functional registers.
- 4.1.9 Assess 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.
- 4.1.10 Reviewing the material risks as profiled by management and applying its own mind to the completeness thereof and making suggestions of additional risks to be considered.
- 4.1.11 Reviewing the adequacy and completeness of insurance cover on an annual basis.
- 4.1.12 Reviewing the Combined Assurance Plan and how this is aligned to identified risks
- 4.1.13 Evaluating and assessing the effectiveness of risk management in order to provide an assessment of the risk management process.
- 4.1.14 Considering the need for periodic independent assurance on the effectiveness of risk management.
- 4.1.15 Reporting critical risk information to the Board, including:
  - 4.1.15.1 The results of the independent risk management review;

- 4.1.15.2 Progress against the risk management plan, including recommended amendments;
- 4.1.15.3 The material risks facing Master Drilling Group Limited which include the strategic risks, the material risks per division and function as well as potentially material emerging issues;
- 4.1.15.4 Remedial actions taken and their effectiveness; and
- 4.1.15.5 Consolidated and material incidents and associated losses together with analyses of their causes.
- 4.1.16 To respect the confidentiality of all confidential information placed before it.
- 4.1.17 The Risk Committee would review the impact of any new legislation or changes to existing legislation, with reference to Master Drilling Group Limited.
- 4.1.18 Liaise with the Audit Committee and the Social Ethics and Sustainability Committee to exchange information relevant to risks and internal controls.
- 4.1.19 Monitor information to identify and oversee response to reputational risk.
- 4.1.20 Monitor the impact that material litigation could have on the Group.
- 4.1.21 Liaise 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.

4.2 The Risk Committee is not responsible for overseeing IT Governance as the Board has delegated these responsibilities to the Audit Committee.

4.3 The performance of the Risk Committee in terms of its composition, mandate and effectiveness shall be evaluated by the Board, in a manner which it shall from time to time approve.

## **5. AUTHORITY**

5.1 The Board acknowledges its responsibility to monitor and review the risk management strategy of the Group and delegated this responsibility to the Risk Committee. The Risk Committee assists the Board in fulfilling this responsibility.

5.2 The Risk 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, and must be provided with adequate resources in order to fulfil its responsibilities.

5.3 The Risk Committee is authorised by the Board to:

- 5.3.1 Investigate any activities within its terms of reference.
- 5.3.2 Seek outside legal or other independent professional advice at the cost of the company subject to the prior approval of the Chairman.
- 5.3.3 Secure the input of outsiders with the relevant experience and expertise where necessary at the Groups expense.
- 5.3.4 Seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the Risk Committee.

## **6. MEMBERSHIP**

6.1 Composition

## RISK COMMITTEE CHARTER

### MASTER DRILLING GROUP LIMITED

Reviewed March 2019

- 6.1.1 The Board shall appoint the Risk Committee. The membership of the Risk Committee shall include executive and non-executive members. The majority of the Risk Committee members shall be non-executive.
- 6.1.2 The Chairman of the governing body may be a member of the risk committee and may also be its Chairman.
- 6.1.3 At least one member of the Risk Committee shall also be a member of the Audit Committee. The Chairman of the Risk Committee is elected by the Board and shall be an independent non-executive director.
- 6.1.4 The Chief Audit Executive is authorised to, and should, attend all meetings of the Risk Committee.
- 6.1.5 The Group Risk and Assurance manager should be a standing invitee to the meeting if not a member of the Risk Committee.
- 6.1.6 The Risk 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.
- 6.1.7 All members of the Risk Committee shall have a working familiarity with risk assessments and risk management. The members of the Risk Committee shall be knowledgeable about the affairs of the Group and where appropriate specific skills shall be represented on the Risk Committee.
- 6.1.8 Risk Committee members may enhance their familiarity with risk management by participating in educational programmes conducted by the Group or an outside consultant.
- 6.1.9 Members of the committee who are not board members shall have no vote on matters to be decided by the Risk Committee.

#### 6.2 Remuneration

- 6.2.1 Remuneration of the non-executive members shall be as determined by the Remuneration Committee and as approved by the shareholders at the Master Drilling Group Limited Annual General Meeting.

## 7. MEETINGS

### 7.1 Frequency

- 7.1.1 The Risk Committee shall meet as often as required, but at least twice per annum, within a reasonable period prior to the Board of Directors meetings which consider the company's half year and annual results. Reasonable notice of each meeting and the agenda shall, other than under exceptional circumstances, be given to each member of the Risk Committee.

### 7.2 Minutes

- 7.2.1 The Company Secretary must attend and minute the proceedings of all meetings.
- 7.2.2 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 Risk Committee and other relevant personnel as directed. The minutes shall be tabled at the following Board of Directors meeting.
- 7.2.3 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.
- 7.2.4 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.
- 7.2.5 Any director may, provided that there is no conflict of interest and with the consent of the Chairman of the Committee, obtain copies of the Committee's minutes.

- 7.2.6 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.
- 7.2.7 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.
- 7.2.8 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.

**7.3 Quorum**

- 7.3.1 Two-thirds of the members must attend to constitute a quorum.

**8. REPORTING**

- 8.1 Apart from the Risk Committee's aforementioned reporting of critical risk information to the Board, the Chairman of the Risk Committee shall also provide fulsome verbal feedback of the Risk Committees meetings at each Board of Directors meeting.
- 8.2 The Risk Committee shall on an annual basis review and recommend to the Board for approval a Risk Governance report, which shall include the following disclosure:
- 8.2.1 The nature and extent of the risks and opportunities the Group is willing to take without compromising sensitive information;
  - 8.2.2 An overview of the arrangements for governing and managing risk;
  - 8.2.3 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;
  - 8.2.4 Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed; and
  - 8.2.5 Planned areas of future focus.
- 8.3 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.

**RISK COMMITTEE CHARTER**

**MASTER DRILLING GROUP LIMITED**

Reviewed March 2019

**9. REVIEW AND AMENDMENT**

- 9.1 This Charter shall be reviewed annually and may be amended from time to time as required, subject to the approval of the Board.
  
- 9.2 The Committee performs a self-evaluation of its effectiveness each alternate year and reports the results thereof to the Board.

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