

# KING IV™ COMPLIANCE REPORT

## APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 2016™ (KING IV™)

Master Drilling Group Limited (Master Drilling or the Company) is listed on the Johannesburg Stock Exchange operated by the JSE Limited (JSE). Master Drilling certifies that it complies with the requirements concerning corporate governance detailed in paragraph 3.84 of the JSE Listings Requirements.

King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of four governance outcomes. The desired governance outcomes are listed below, together with the practices implemented and progress made towards achieving the 17 principles in meeting those outcomes. It is done on an “apply and explain” basis, as recommended by King IV™. Master Drilling complied satisfactorily with all principles during the year as set out below.

Governance outcome one: Ethical culture		
<p><b>1. The Board leads ethically and effectively</b></p>	<p>Master Drilling’s Board of Directors (the Board) is its governing body. The directors hold one another accountable for decision-making and behave ethically, as characterised in King IV™.</p> <p><b>Integrity</b></p> <p>Master Drilling’s directors always act ethically, in good faith and in the best interests of the Company. The Board’s deliberations, decisions and actions are based on ethical values of responsibility, accountability, fairness and transparency.</p> <p>An employee ethics and code of conduct policy is in force throughout the Group. All directors and employees, irrespective of the country in which they are employed, are obligated under the code to act with honesty and integrity and to maintain the highest ethical standards.</p> <p>Declarations of interest are managed in line with the South African Companies Act (Act 71 of 2008) (Companies Act) and directors are required to disclose any potentially conflicting interests and additional directorships on an annual basis. Any potential conflict of interest with any agenda item is also disclosed at the beginning of a meeting at which such matters are considered. Master Drilling’s directors, executives and certain employees identified from time to time are prohibited from dealing in Master Drilling securities during certain prescribed periods. All declared conflicts during the current year were appropriately dealt with and the members concerned were duly recused from participating in the decision-making process, where applicable.</p> <p><b>Competence</b></p> <p>Master Drilling’s directors have the necessary competence to discharge their responsibilities and to provide strategic direction to and control of the Company. Directors are expected to act with due care, skill and diligence.</p> <p>The development of industry knowledge is a continuous process and the Board is continually apprised of new developments and changes in Master Drilling’s business environment. Training is also provided to individual directors on request. The Company has an induction programme, which includes the opportunity for new directors to visit key operations.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>

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Governance outcome one: Ethical culture *continued*

**1. The Board leads ethically and effectively**  
continued

**Responsibility**

The Board sets the direction of the Company and is committed to driving Master Drilling's strategy and operations to support a sustainable business, taking into account Master Drilling's short- and long-term impact on the economy, society, environment and its stakeholders, and oversees and monitors implementation and execution by management, ensuring accountability for the Company's performance.

Directors are committed to ensuring the sustainable success of the Company and therefore attend meetings as required and dedicate sufficient time and effort in preparation for such meetings.

Risk management is part of Master Drilling's culture and is inherent in all decisions and activities. The Board, with the support of its committees, regularly considers the risks and opportunities prevalent in the environment the Group operates in, ensuring a balanced outcome between risk and reward, taking into consideration the best interests of the Company.

**Accountability**

The Board remains accountable for the actions of the Company and will answer for the execution of its responsibilities, even if delegated.

**Fairness**

Master Drilling recognises that the sustainability of its business is dependent on successful and inclusive interaction with its stakeholders. A stakeholder engagement policy sets out the strategies and objectives behind the Group's engagement with key stakeholders, with the primary objective of ensuring that the Company conducts its business as a responsible corporate citizen.

**Transparency**

The Board is transparent in the manner in which it exercises its role and responsibilities and ensures that appropriate disclosures are made as required.

**2. The Board governs the ethics of Master Drilling in a way that supports the establishment of an ethical culture**

The Board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the Group and its stakeholders. It is the primary body responsible for the corporate governance values of the Group. While control is delegated to management in the day-to-day management of the Group, the Board retains full and effective control over the Group.

**Organisational ethics**

The Board determines and sets the tone of the organisation's values, including principles of ethical business practices, human rights considerations and the essential requirements of corporate citizenship. Master Drilling is committed to conducting its business in compliance with all applicable laws and regulations and has the necessary processes in place to ensure that all directors, entities and employees in the Group adhere to applicable legislation, policies and appropriate corporate governance standards.

The employee ethics and code of conduct policy, approved by the Board, sets the minimum standards expected of all directors, employees and suppliers. It is expected that all directors, employees and suppliers within the Group act ethically with each other and with external stakeholders and society in general. Key ethical risks are considered and monitored by the Board with the support of the Board committees. Alleged violations are reported *inter alia* through our anonymous whistle-blower hotline which is independently administered and accessible 24 hours a day, seven days a week. No human rights violations were reported during the year, nor were any material incidents of corruption detected or reported.

The Board is of the opinion that the principle was applied satisfactorily.

**Governance outcome one: Ethical culture** *continued*

<p><b>2. The Board governs the ethics of Master Drilling in a way that supports the establishment of an ethical culture</b> <i>continued</i></p>	<p>Management has been delegated the responsibility for the implementation and execution of the employee ethics and code of conduct policy. The Board, with the assistance of the Social, Ethics and Sustainability Committee, exercises ongoing oversight of the management and monitoring of ethics ensuring it is integrated into the operations of the Company.</p> <p>The ethics programme includes a whistle-blowing policy and the provision of an independent and anonymous reporting line to detect breaches of ethical standards together with dedicated efforts to create awareness, detect and resolve ethical violations and provide training, all of which contribute to a strong ethical foundation.</p> <p>The code of ethics is published on the website and is incorporated by reference in supplier and employee contracts. A high-level overview of the governance and management of ethics is also disclosed in the Integrated Report.</p>	
<p><b>3. The Board ensures that Master Drilling is and is seen to be a responsible corporate citizen</b></p>	<p>The Board is the guardian of the values and ethics of the Group and ensures that it is seen as a responsible corporate citizen.</p> <p>It is a Master Drilling imperative to be a values-driven organisation fulfilling both its legal and moral obligations.</p> <p>The Board approves the strategy and priorities of the business, including Master Drilling's material matters as set out in its Integrated Report. Through stakeholder engagement and collaboration, Master Drilling is committed to understanding and being responsive to the interests and expectations of stakeholders and to collaborating with them in finding lasting solutions to sustainability challenges.</p> <p>The Board, with the support of the Social, Ethics and Sustainability Committee, the Risk Committee and the management team, oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen and reports annually on the Group's sustainability activities.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>

**Governance outcome two: Performance and value operations**

<p><b>4. The Board appreciates that Master Drilling's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process</b></p>	<p>The Board's primary responsibility is to ensure that Master Drilling creates value for its stakeholders. In so doing, it takes into account the legitimate interests and expectations of stakeholders, which include the present and potential future investors in Master Drilling.</p> <p><b>Strategy and performance</b></p> <p>The Board informs and approves Master Drilling's strategy, which is aligned with the purpose of the Company, the value drivers of its business and the legitimate expectations of its stakeholders, while taking into account the key risks facing the Group. The Board oversees and monitors management's implementation of the strategy and business plan on a quarterly basis. The Board holds management accountable and management reports on any variances or non-achieved targets.</p> <p>More details regarding the Company's performance against its strategic objectives are included in the Integrated Report.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>
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## Governance outcome two: Performance and value operations continued

**5. The Board ensures that reports issued by Master Drilling enable stakeholders to make informed assessments of Master Drilling's performance and its short-, medium- and long-term goals**

### Reporting

The Board, through the Audit Committee, ensures that the necessary controls are in place to ensure and safeguard the integrity of all financial information and reporting documentation. The Company ensures its annual financial statements are prepared in accordance with applicable accounting standards/framework and applicable legislative requirements.

The Audit Committee oversees the integrated reporting process and reviews the annual financial statements.

Master Drilling ensures that the annual reports, including the annual financial statements, the Integrated Report and any other relevant information to stakeholders, are published on the Company's website, as well as through other media as appropriate.

Master Drilling details both its historical performance and future outlook in its relevant communications. This, together with further information in the above-mentioned and other communications, enables stakeholders to make informed assessments of Master Drilling's prospects.

The Board is of the opinion that the principle was applied satisfactorily.

## Governance outcome three: Adequate and effective control

**6. The Board serves as the focal point and custodian of corporate governance in Master Drilling**

The Board has an approved charter, which it reviews every alternate year or as required. The charter sets out its governance responsibilities, including its role, responsibilities, membership requirements and procedural conduct.

The Board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings are convened. Before each Board meeting, a board pack containing supporting information on all the agenda items is timeously circulated to enable members to properly prepare for the meeting. The Board plans its meetings in line with its set objectives as outlined in its charter and the committee charters. Details of the Board meetings held during the year, as well as the attendance at the Board meetings, are disclosed in the Integrated Report.

The Board, as well as any director or committee, may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties, and the directors may request documentation from and set up meetings with management as and when required.

Master Drilling has the necessary processes in place to ensure that all entities in the Group adhere to essential Group requirements and minimum corporate governance standards. As a direct or indirect shareholder, the Company exercises its shareholder rights and, in that capacity, is involved in the decision-making of its subsidiaries on material matters. Master Drilling has a Corporate Governance Committee which ensures, with the assistance of the relevant Board committees, that the required attention is given by management to successfully accomplish compliance with King IV™, ensure continued compliance with required legislation and the JSE Listings Requirements and ensure that the Corporate Governance Committee reports on compliance to the Board at least biannually.

Master Drilling's governance framework and corporate governance practices are disclosed in the Integrated Report.

The Board is of the opinion that the principle was applied satisfactorily.

**Governance outcome three: Adequate and effective control** *continued*

**7. The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

The Board assesses the adequacy of its composition annually to ensure that it is still fit for purpose, has the right balance of skills, experience, diversity, independence and knowledge and that it can still effectively discharge its role and responsibilities. The Board reviewed its composition and attended to amplifying board skills in the areas of mining industry knowledge and information and communications technology.

The Board is of the opinion that the principle was applied satisfactorily.

**Composition**

Master Drilling has a unitary board chaired by an independent non-executive director.

Master Drilling has suitably qualified Board members and the composition of the Board is suited to serve the best interests of all stakeholders.

The capacity of each director is categorised in accordance with the JSE Listings Requirements, the Companies Act requirements and the King IV™ principles. The Board comprises a majority of independent non-executive directors. All directors, regardless of the categorisation, are required to apply an independent state of mind and objective judgement by always acting in the best interest of the Company. In the case of a non-executive director serving more than nine years, the Board, assisted by the Nominations Committee, performs an annual independence test to ensure that the director remains independent.

The Board currently has three executive directors, namely the Chief Executive Officer Danie Pretorius, the Chief Financial Officer André van Deventer and the Technical Director Koos Jordaan.

In accordance with the Company's Memorandum of Incorporation, at least one-third of the non-executive directors are required to retire at every Annual General Meeting. When considering the appointment or re-election of directors, the Board, with the support of the Nominations Committee, gives consideration to the knowledge, skills and resources required of directors for conducting the business as well as the size, diversity and demographics of the Board to ensure its effectiveness.

There is a clear distinction between the roles of the Chief Executive Officer and the Chairman and these positions are occupied by separate individuals.

For details of directors' full names, their dates of appointment and other listed directorships as well as a brief career and sphere of influence synopsis, refer to the Integrated Report.

A policy on the promotion of diversity at Board level has been approved by the Board. The Board reports on how it has considered and applied the policy in the Integrated Report.

The process for the appointment and election of directors is set out in the Company's Memorandum of Incorporation. The Nominations Committee assists with the process of identifying suitable candidates to be proposed for appointment to the Board and election by the shareholders, taking into consideration the review of the Board's effectiveness, which includes, among others, its composition. All facets of diversity including the Board's diversity policy are considered in determining the optimal composition of the Board, which should be balanced appropriately to enable the Board to discharge its duties and responsibilities effectively.

A brief curriculum vitae for each director standing for election or re-election accompanies the notice of the Annual General Meeting where their election will be proposed.

Newly appointed directors are acquainted with the business of the Company, Board matters and their duties and responsibilities as directors under the guidance of the Company Secretary, in accordance with each director's specific needs. Directors are given the opportunity to visit key operations and receive briefings on new legal developments and changes in the risk and general business environment on an ongoing basis.

The succession plan of directors is reviewed on an ongoing basis.

**8. The Board ensures that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties**

**Board committees**

The following committees have been established to assist the Board in discharging its responsibilities:

- Audit Committee;
- Nominations Committee;
- Remuneration Committee;
- Social, Ethics and Sustainability Committee;
- Risk Committee; and
- Corporate Governance Committee.

The committees are appropriately constituted, and members are appointed by the Board, other than in respect of the Audit Committee, whose members are elected by shareholders. The Nominations Committee reviews the composition of Board committees and makes recommendations to the Board with regard to their composition, including the appointment of the Chairman of each committee, taking into account factors such as diversity and skills and the need to create an even spread of power and authority.

External advisors, executive directors and members of management attend committee meetings by invitation. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal charters outlining the role and responsibilities of each committee have been aligned with the requirements of King IV™ and approved by the Board. These charters are reviewed annually. The charters of the committees are available on Master Drilling’s website.

A delegation by the Board of its responsibilities to a committee does not constitute a discharge of the Board’s responsibilities or accountability. The Board applies its collective mind in considering the information, opinions, recommendations, reports and statements presented by the committees.

**Audit Committee**

The Board has an Audit Committee that complies with all legal and regulatory requirements, and its independence and effectiveness are reviewed on an annual basis. The Audit Committee is constituted as a statutory committee of Master Drilling in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the Board in respect of all other duties assigned to it by the Board.

The Audit Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Audit Committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to subsidiaries.

The Audit Committee consists of four members, three of whom are independent non-executive members. The Chairman of the Board is not a member of the committee. Members of the committee are elected by shareholders at the Annual General Meeting. All committee members are financially literate and have the requisite experience to serve on the Audit Committee.

The Audit Committee provides independent oversight of, among others, the adequacy and effectiveness of the Company’s internal and financial controls and its approach to combined assurance. The Audit Committee gives annual consideration to and satisfies itself of the appropriateness of the expertise and experience of the Chief Financial Officer and the finance function.

Refer to the Audit Committee report included in the Integrated Report for further details regarding the committee.

The Board is of the opinion that the principle was applied satisfactorily.

**Governance outcome three: Adequate and effective control** *continued*

<p><b>8. The Board ensures that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties</b> <i>continued</i></p>	<p><b>Nominations Committee</b></p> <p>The Board has delegated oversight of, among others, the following to the Nominations Committee:</p> <ul style="list-style-type: none"> <li>• The process for nominating and proposing members of the Board;</li> <li>• Succession planning of directors; and</li> <li>• Evaluation of the performance of the Board and its committees.</li> </ul> <p>Two of the three members of the Nominations Committee are independent non-executive directors. The Chairman of the Board is the Chairman of this committee.</p> <p><b>Remuneration Committee</b></p> <p>The Remuneration Committee is responsible for overseeing remuneration and comprises three non-executive directors. Two of the three members of the committee are independent non-executive directors. The Chairman of the Board is not a member of this committee.</p> <p><b>Social, Ethics and Sustainability Committee</b></p> <p>The Social, Ethics and Sustainability Committee is responsible for overseeing and reporting on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships and executing its statutory duties.</p> <p>The committee comprises one alternate director and four non-executive directors, three of whom are independent. The Chief Executive Officer, Chief Financial Officer and the Group Human Resources Manager are either members or standing invitees to meetings of the committee.</p>	
<p><b>9. The Board ensures that the evaluation of its own performance and that of its committees, its Chairman and its individual members support continued improvement in its performance and effectiveness</b></p>	<p><b>Performance evaluation</b></p> <p>The effectiveness of the performance of the Board, its committees, individual directors and the Chairman is assessed every second year.</p> <p>Priority recommendations for the year ahead are reported in the Integrated Report. Master Drilling is satisfied that the evaluation process improves the Board's performance and effectiveness.</p> <p>Annually, the Nominations Committee considers the commitments of all directors to determine whether directors still have sufficient time to fulfil their responsibilities with care, skill and diligence and are free from conflicts of interest. Should the committee be of the view that a director is over-committed or has an unmanageable conflict, the Chairman meets with that director to discuss the resolution of the matter to the satisfaction of the committee.</p> <p>The role of the Chairman is formalised, and each alternate year, an assessment of the Chairman's ability to add value and his performance against what is required of his role and function is conducted by the Board as a whole. The Board, assisted by the Nominations Committee, oversees the development and implementation of the succession plan for all executive positions and other critical positions below executive management.</p> <p>The role and responsibilities of the Board, its committees, the Chairman and the directors are outlined in the Board charter, available on the Master Drilling website.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>

**Governance outcome three: Adequate and effective control** continued

**10. The Board ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

In terms of the Board charter, the Board's responsibilities include the appointment of the Chief Executive Officer and the approval of corporate strategy, risk management and corporate governance.

On the recommendation of the Nominations Committee, the Chief Executive Officer was appointed by the directors. The role and function of the Chief Executive Officer are specified in the Board charter and the performance of the Chief Executive Officer is evaluated by the Board against agreed criteria/targets.

The Chief Executive Officer appoints members of Group management and ensures that succession plans are in place for the position of members of Group management.

The Chief Executive Officer is not a member of the Remuneration, Audit or Nominations Committees, but attends meetings, or parts thereof, where he is required to contribute pertinent insights and information by invitation.

The Chief Executive Officer's performance is evaluated each alternate year against agreed performance measures and targets. The Chief Executive Officer has an employment agreement that can, subject to fair labour practices, be terminated on 12 weeks' notice.

The Board exercises control through the governance framework of the Company, which includes detailed reporting to the Board and its committees, Board-reserved decision-making authority and a system of assurance on internal controls. Group management is appointed to assist the Chief Executive Officer and is chaired by him, subject to the Chief Executive Officer's delegated powers. Group management assists the Chief Executive Officer in guiding and controlling the overall direction of the business of the Group and acts as a medium of communication and co-ordination between divisions, Group companies and the Board.

**Company Secretary**

Master Drilling has appointed a Company Secretary in accordance with the Companies Act. The Company Secretary is not a director.

Having considered the competence, qualifications and experience of the Company Secretary, the Board is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

The Company Secretary has a direct channel of communication with the Chairman while maintaining an arm's-length relationship with the Board and the directors. The Board is satisfied that the Company Secretary has the necessary competence and objectivity to provide independent guidance and support at the highest level of decision-making and is thus suitably qualified to act in this role.

The Board is of the opinion that the principle was applied satisfactorily.



**Governance outcome three: Adequate and effective control** *continued*

**11. The Board governs risk in a way that supports Master Drilling in setting and achieving its strategic objectives**

The Risk Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of Master Drilling.

**Risk governance**

Master Drilling's enterprise risk management and combined assurance framework, together with other Group policies and procedures, informs its risk management culture. The Risk Committee considers the material outcomes of these processes and probes risk exposure above the desired levels. Understanding the risk environment informs the Group strategy and assists with decision-making at Board level.

The risk assessment process is formally integrated into Master Drilling's annual business planning, capital expenditure and budgeting cycle. Risks are assessed in terms of their potential impact on earnings.

Risk registers are maintained by operations and updated quarterly. Management is formally required to address any residual risks rated above predetermined tolerance levels, and the effectiveness of risk mitigations is evaluated regularly in the context of Group and regional risk control standards, policies and procedures. Strategic risk responses are addressed by Group management and operational risk responses involve divisional management teams. Management's risk responses are monitored by the Risk Committee.

Risk management is integrated into the business and risk-related information is provided to Group management for review before being presented to the Board's Risk Committee.

Identified risks are monitored at divisional and Group meetings, which are attended by the Chief Executive Officer and/or Chief Financial Officer. Internal risk reporting is regimented and interaction on various risk issues occurs throughout the year. Historical risk data is retained in order to track risk mitigation performance and establish trendlines.

A comprehensive combined assurance programme is an established component of the Company's risk management plan. The assurance activities cover a wide spread of risk control disciplines, including strategic and operational risks.

A number of initiatives are in place to ensure continuous improvement of the risk management programme.

For more information regarding Master Drilling's key risks, refer to the Integrated Report.

The Board is of the opinion that the principle was applied satisfactorily.

**Governance outcome three: Adequate and effective control** *continued*

<p><b>12. The Board governs technology and information in a way that supports Master Drilling in setting and achieving its strategic objectives</b></p>	<p><b>Technology and information management</b></p> <p>Information management (IM) is an important part of Master Drilling’s business and is essential to the strategy, performance and sustainability of the Group. The Board is ultimately accountable for the governance of information and technology management. Master Drilling’s Board has delegated the ongoing oversight of the management of technology to the IM Steering Committee, which comprises Group management and the Chief Information Officer. The IM Steering Committee is responsible for providing advice in relation to services’ (IMS) direction and investments and ensuring alignment with business strategy and priorities.</p> <p>Master Drilling’s IMS-adopted ISO 38500 and Information Technology Infrastructure Library principles form the framework for IMS governance in relation to establishing and maintaining effective internal controls, continuity and risk management. IMS is also a standing item for the Risk Committee.</p> <p>In line with these frameworks, IM policies have been developed and adopted taking into consideration stakeholder needs, business imperatives, current legislation and IM trends.</p> <p>Internal audit provides assurance to management regarding IM. The Audit and Risk Committees monitor the effectiveness of IMS governance.</p> <p>The Group’s IMS focus remains to deliver value to Master Drilling through benefits realisation, resource optimisation and risk mitigation that are aligned with Master Drilling’s strategy and goals.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>
<p><b>13. The Board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Master Drilling being ethical and a good corporate citizen</b></p>	<p><b>Compliance</b></p> <p>Master Drilling is committed to conducting its business in compliance with all applicable laws and regulations. In pursuit of this goal, Master Drilling pursues an effective in-country compliance programme. The primary purpose of the programme is to ensure that the Group conducts its business strictly within the confines of the law. The programme provides for the detection of contraventions of laws, regulations and Company policy, enabling the Company to address transgressions immediately.</p> <p>Compliance is decentralised where in-country legal counsel provides oversight on compliance matters. Legal counsel, assisted by the Company Secretary, relevant Board committees and, where necessary, other external professional advisors, provides the required legal advice and guidance on all legal and compliance matters. Policies and procedures are in place to monitor compliance and mitigate risks. Litigation in the businesses is referred to the Risk Committee and, to the extent that legal and regulatory matters have an impact on the financial statements, to the Audit Committee.</p> <p>Safety, health and environmental laws are all identified as key legal compliance areas and therefore receive the necessary attention on an ongoing basis. These items are also standing agenda points for Risk Committee and Board meetings.</p> <p>During the year under review, there were no material or repeated violations of any laws or regulations, nor were any material penalties or fines imposed on the Company or its directors for contraventions of any laws or regulations.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>

Governance outcome three: Adequate and effective control *continued*

<p><b>14. The Board ensures that Master Drilling remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</b></p>	<p><b>Remuneration</b></p> <p>Master Drilling remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.</p> <p>Independent approval and oversight of the overall remuneration structure are delegated by the Board to the Remuneration Committee.</p> <p>The remuneration policy and implementation report are reported on in detail in the remuneration report contained in the Integrated Report.</p> <p>The remuneration policy aims to enable the attraction and retention of skilled resources and results in rewards that are aligned with shareholder interests. The policy is designed to:</p> <ul style="list-style-type: none"> <li>• Attract, motivate, reward and retain human capital;</li> <li>• Promote the achievement of strategic objectives in a manner which is aligned with the Company's approach to risk management; and</li> <li>• Promote positive outcomes aligned with short-, medium- and long-term objectives, an ethical culture and responsible corporate citizenship.</li> </ul> <p>The Remuneration Committee always considers shareholders' comments and contributions to the remuneration policy and amends the policy accordingly if deemed necessary.</p> <p>Remuneration of the non-executive and executive directors as well as prescribed officers is disclosed in the Company's Integrated Report.</p> <p>In line with the recommended King IV™ practices, a remuneration policy and implementation report are tabled for non-binding advisory votes by the shareholders. The remuneration policy provides for the measures that Master Drilling commits to take in the event that the remuneration policy and implementation report are voted against by 25% or more of the votes exercised.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>
<p><b>15. The Board ensures that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of Master Drilling's external reports</b></p>	<p><b>Assurance</b></p> <p>The Board, supported by the Audit Committee, ensures an effective control environment, which supports the integrity of our information. Our systems of internal control are designed to provide reasonable assurance against material misstatement.</p> <p>The Audit Committee is responsible for the quality and integrity of Master Drilling's integrated reporting. The current assurance model in place is representative of how the risks are being assured between three lines of defence. The three lines of defence are summarised as follows:</p> <ul style="list-style-type: none"> <li>• <b>Line 1 (Management):</b> Provides day-to-day assurance over the various activities of the organisation;</li> <li>• <b>Line 2 (Independent internal assurance):</b> Corporate functions provide assurance to line management in executing their duties; and</li> <li>• <b>Line 3 (Independent external assurance):</b> External third parties provide assurance to corporate functions and line management.</li> </ul> <p>The co-ordination, integration and alignment of assurance activities are continuously refined. The aim is to ensure a robust assurance framework that provides the Board with a holistic view of risks and controls and whether the mitigation measures are effective. This allows the assurance model to be further entrenched across the Group.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>

**15. The Board ensures that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of Master Drilling's external reports**

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**Internal audit**

An internal audit charter is in place and outlines the responsibilities of the internal audit function. The Audit Committee has been delegated the responsibility for overseeing that internal audit services are executed in line with the charter.

The internal audit plan, approved by the Audit Committee, is risk-based and the risks are informed by an assessment of risk areas identified from internal and external audits, as well as areas highlighted by the Audit Committee and Group management. It includes activities that support the achievement of an effective internal control environment, which supports the integrity of information.

An internal audit service provider was appointed and may be removed by the Audit Committee. The internal auditor reports to the Audit Committee on the performance of duties and functions that relate to internal audit, and the internal audit charter gives him direct access to the Chief Executive Officer, Chief Financial Officer and the Chairpersons of the Board and other Board committees. The lead internal auditor administratively reports to the Chief Financial Officer.

The internal auditor and function are independent of management and have the necessary authority, which includes unfettered access to meetings, minutes, documentation and risk registers of Master Drilling's businesses and functions. The performance of the internal auditor is evaluated annually by the Audit Committee which ensures that he possesses the necessary competence and independence. The committee also assesses regularly whether the necessary arrangements are in place to ensure that adequate skills and resources are available and that the internal audit function is supplemented, as required, by a specialist with specialised skills, and, as required, external services.

The internal audit function is required to undergo an independent quality review at least every five years.

The internal audit function was outsourced to PricewaterhouseCoopers Inc. with effect from May 2018.

The Audit Committee oversees and monitors the implementation of the approved risk-based annual internal audit plan and ensures that measures are in place to remedy any reported weaknesses in internal controls. The internal audit written assessment relates to the work performed in accordance with the approved internal audit plan for the year under review and serves as one of several inputs that the Board considers before concluding the effectiveness and adequacy of the systems of internal control.

**Internal control environment**

The Audit Committee, on behalf of the Board, assessed the adequacy and effectiveness of controls as adequate through the confirmation of management and reports from the internal and external auditors. Based on the assessment of Master Drilling's systems of internal control and risk management, including the design, implementation and effectiveness of internal financial controls, and considering information and explanations provided by management and discussions with the external auditor on the results of the external audit, it is the Board's opinion, with the assistance of and supported by the Audit Committee, that Master Drilling's systems of internal control and risk management are effective.

The assurance activities of management and internal and external audit are co-ordinated with each other.

## Governance outcome four: Trust, good reputation and legitimacy

<p><b>16. In the execution of its governance role and responsibilities, the Board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of Master Drilling over time</b></p>	<p>Master Drilling has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations.</p> <p>The Board is the ultimate custodian of stakeholder relationships in the Group and its decisions and interactions with stakeholders are based on ethical values of responsibility, accountability, fairness and transparency.</p> <p>The Board, through the Social, Ethics and Sustainability Committee, as part of its social and ethics mandate under the Companies Act, considers issues around stakeholder perceptions. The committee has oversight of stakeholder engagement and management. Through regular reporting by the Social, Ethics and Sustainability Committee, the Board is equipped with the necessary information to enable it to take legitimate interests and expectations of stakeholders into account in its decision-making.</p> <p>The Group recognises that the sustainability of the business is dependent on successful interaction with its stakeholders. A stakeholder engagement policy sets out the strategies and objectives behind the Group's engagement with material stakeholders, including the important objective that the Company be recognised as a responsible corporate citizen. It is a business imperative that Master Drilling understands and remains responsive to the needs and interests of its key stakeholder groups, which include employees and their representatives; governments and regulators; shareholders; the communities in which we operate; suppliers and clients; and business partners. The individual stakeholders within these groups are highly diverse, with sometimes competing or even conflicting interests. Master Drilling is therefore constantly seeking to improve the way in which we engage with our stakeholders to effectively respond to this complexity and diversity.</p> <p>The Board has delegated to management the responsibility of proactively dealing with stakeholder groups and providing feedback where necessary. The Board considers the balance of engagement with each stakeholder group and endeavours to achieve a climate of respect through constructive debate.</p> <p>Interaction with our stakeholders happens during the normal course of business at multiple levels across the Group, and we strive to resolve any disputes with stakeholders effectively and expeditiously.</p> <p>Refer to the Integrated Report for detailed information on the Group's stakeholder relationships and engagement.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>
<p><b>17. The Board ensures that responsible investment is practised by Master Drilling to promote good governance and the creation of value by the companies in which it invests</b></p>	<p>Master Drilling ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.</p>	<p>The Board is of the opinion that the principle was applied satisfactorily.</p>