



MASTER DRILLING

Master Drilling Group Limited

Social, Ethics and Sustainability Committee Terms of Reference

1. INTRODUCTION

- 1.1 The Social, Ethics and Sustainability Committee (“the Committee”) is constituted as a committee of the Board of Directors (“the Board”) of Master Drilling Group Limited (“the Company”) and its subsidiaries in terms of section 72(4) of the Companies Act no. 71 of 2008 (“the 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 the Board 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. MANDATE AND PURPOSE OF THESE TERMS OF REFERENCE

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 the Company.
- 3.2 The Committee shall comprise of:
 - 3.2.1 at least 3 (three) Board members, executive and non-executive members, the majority of which shall be non-executive Board members;
 - 3.2.2 at least one Board member who is not 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.

- 3.3 The Chairman of the Board may be a member of the Committee but should not be its chairman.
- 3.4 The Chairman of the Committee who shall be an independent non-executive director shall be appointed by the Board.
- 3.5 The Committee members 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 Chairman.
- 4.2 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, compliance, stakeholder and ethical matters relating to the Company as required under King IV™.
- 4.3 The Committee shall not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

5. MEETINGS AND PROCEDURES

5.1 Frequency

- 5.1.1 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 2 (two) meetings per year.

- 5.1.2 Meetings in addition to those scheduled may be called at the request of the Chairman of the Committee, any other member of the Committee, the Chief Executive Officer, Head of Human Resources or other members of senior management or at the instance of the Board.
- 5.1.3 The Chairman of the Committee may meet with the Chief Financial Officer, Head of Human Resources and/or the Group Company Secretary or any other person deemed necessary prior to a committee meeting to discuss important issues and agree on the agenda.
- 5.1.4 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 persons 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.

5.2 Attendance

- 5.2.1 The Chief Executive, Chief Financial Officer, Head of Human Resources, assurance providers, professional advisors and board members, any other members of senior management, or any other officer deemed necessary, may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 5.2.2 Committee members must attend all 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 Chairman or Group Company Secretary.
- 5.2.3 The Chairman (or in his/her absence, another member) of the Committee shall attend the annual general meeting of the Company and be prepared to answer questions concerning matters that fall under the Committee's Terms of Reference.
- 5.2.4 The Group Company Secretary or his/her designate is the secretary to this Committee.
- 5.2.5 If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman.

5.3 Agenda and Minutes

- 5.3.1 The Group Company Secretary must attend and minute the proceedings of all meetings.
- 5.3.2 The Committee must establish an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis as may be deemed fit. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.
- 5.3.3 A detailed agenda, together with supporting documentation, must be circulated, at least 1 (one) week prior to each meeting to the members of the board and other invitees.
- 5.3.4 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters tabled for consideration.
- 5.3.5 The minutes must be completed as soon as reasonably possible after the meeting and circulated to the Chairman and the Committee members for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.
- 5.3.6 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.

5.4 Quorum

- 5.4.1 Two-thirds of members the majority of which must be non-executive directors constitute a quorum for a meeting.
- 5.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

5.5 Remuneration

- 5.5.1 Non-executive members of the Committee shall be paid such remuneration in respect of their appointment as approved by the shareholders.

- 5.5.2 The Chairman of the Committee shall, in addition to his or her remuneration as member, receive a further sum as approved by the shareholders.
- 5.5.3 The above fees shall be subject to review by the Board from time to time and annual approval by the shareholders.

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 Chairmen 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 reasonable 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; and
 - 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 of the Board after consultation with the Chief Executive Officer).

7 RESPONSIBILITIES

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

7.1 Statutory duties

7.1.1 To consider, recommend and monitor the Company's activities with regards to the following and report accordingly to the Board:

7.1.1.1 **Good corporate citizenship:** specifically, in relation to (i) promotion of equality, (ii) prevention of unfair discrimination and reduction of corruption, and (iii) the Company's record of sponsorship, donations and charitable giving;

7.1.1.2 **Labour and employment matters:** specifically, in relation to the Company's standing on (i) the International Labour Organization Protocol ("ILO protocol") on decent work and working conditions, (ii) the employment relations and contribution to the educational development of its employees;

7.1.1.3 **Social and economic development of defined communities:** specifically, in relation to (i) the 10 principles set out in the United Nations Global Compact, (ii) the OECD recommendations regarding corruption, (iii) the Employment Equity Act and (iv) the Broad-Based Black Economic Empowerment Act, and

7.1.2 To monitor and advance the implementation of policies and plans approved by the Board as contemplated in 7.1 above.

7.1.3 Report to shareholders at the AGM on matters in its mandate.

7.2 Non-Statutory duties

7.2.1 To perform non-statutory duties in complement to its statutory duties, the Committee is further mandated to:

7.2.1.1 **The Company's Code of Ethics and Business Conduct:** to monitor to the best of its ability that the Company and its subsidiaries adhere to the approved Code of Ethics and Business Conduct policy and guidelines;

7.2.1.2 **Sustainability:** provide guidance and advice on sustainability trends and issues relevant to the Company and approve and review the Group sustainability policy from time to time. The Committee will be informed on the sustainability risks as recorded in the Group risk register and provide related input to the Risk Committee as appropriate; and

7.2.1.3 **Stakeholder relations:** monitor to the best of its ability that the Company and its subsidiaries know who their stakeholders are and understand their issues and treat all stakeholders in an equitable and fair manner.

7.3 Guidelines

In carrying out its mandate under these terms of reference, the Board sets the following guidelines for the Committee:

7.3.1 Social and Economic Development of Defined Communities

In the area of Social and Economic Development of defined Communities (SEDC) and related spending, the role of the Committee shall be:

- 7.3.1.1 to make recommendations to the Board on the appropriate aggregate level of SEDC by the Group and its operating subsidiaries, either as an absolute amount per annum, to be reviewed annually, or as a percentage of after-tax profit or revenue of the Company;
- 7.3.1.2 to make recommendations to the Board on the areas towards which the Group's SEDC spending should be directed;
- 7.3.1.3 to require and review reports from time to time from operating subsidiaries and from officials in the Company's Head Office charged therewith on the nature of and progress with their respective SEDC projects in progress, amounts spent and to make recommendations to the Board on whether such projects achieve, to best advantage, the objectives of the Group's SEDC programme.

7.3.2 Ethical Business Conduct

In the area of Ethical Business Conduct, the role of the Committee shall be to:

- 7.3.2.1 Monitor that the ethical standards and guidelines governing relationships both internally and externally are clearly defined e.g. through an appropriate Code of Ethics and Business Conduct;
- 7.3.2.2 Monitor that as far as it possibly can, there is a sustainable and ethical corporate culture across the Group;
- 7.3.2.3 Monitor that the integration of the Code into business processes with employees and supplier contracts through on-going and targeted training.

7.3.3 Stakeholder Relationships

In the area of Stakeholder Relationships, the role of the Committee shall be to:

- 7.3.3.1 Monitor that there is a robust process for managing the Company's reputation as detailed in a stakeholder management framework;

7.3.3.2 Monitor that management proactively deals with stakeholder relationships in an integrated manner;

7.3.3.3 Monitor that there is an equitable treatment of stakeholders in line with the stakeholder management framework;

7.3.3.4 Monitor that there is a transparent and effective communication with stakeholders to build and maintain their trust and confidence;

7.3.3.5 Monitor that there is a mechanism in place geared at guaranteeing that disputes are resolved effectively, efficiently and expeditiously as possible.

7.3.4 Environmental, Social and Governance (ESG's)

7.3.4.1 Assist the Board in overseeing the development of the Group's ESG strategy and monitoring compliance and performance in relation to ESG matters.

7.3.4.2 Oversee and support stakeholder engagement on ESG matters.

7.3.4.3 Review, prior to approval by the Board, the ESG matters to be presented in the Company's Integrated Annual Report ("IAR") and monitor the integrity of these reports.

7.3.4.4 The Committee shall communicate and interact with the Audit Committee to review and approve a programme of internal audit work each year aimed at assessing the effectiveness of policies and processes relating to ESG matters.

7.3.4.5 Review regularly the requirement for external assurance of ESG matters and as may be deemed necessary, appoint external third parties to carry out assurance of the effectiveness of ESG related policies, processes and initiatives and the accuracy of the reporting of ESG matters.

8 REPORTING REQUIREMENTS

8.1 The Committee must provide a verbal report to the Board on its activities and on matters of key importance at the Board meeting following each meeting of the Committee. Such report may also be supplemented with draft or approved minutes of previous meetings of the Committee, written resolutions adopted by the Committee and any other matter recommended for Board approval.

8.2 Review, monitor and report on the Company's activities and matters for Board approval and performance having regard to any relevant legislation, or other legal requirement 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 the 10 principles set out in the United Nations Global Compact Principles;
 - 8.2.2 the OECD recommendations regarding corruption;
 - 8.2.3 the Employment Equity Act;
 - 8.2.4 the Broad-Based Black Economic Empowerment Act;
 - 8.2.5 good corporate citizenship, including the Company's:
 - 8.2.5.1 promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - 8.2.5.2 contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - 8.2.5.3 record of sponsorship, donations and charitable giving;
 - 8.2.6 consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws; and
 - 8.2.7 labour and employment, including:
 - 8.2.7.1.1 the Company's standing in terms of the ILO protocol on decent work and working conditions; and
 - 8.2.7.1.2 the Company's employment relationships, and its contribution toward the educational development of its employees.
 - 8.2.8 Drawing matters within its mandate to the attention of the Board as occasion requires.
- 8.3 The Committee must provide the following information in the IAR –
- 8.3.1 a summary of the role, responsibilities and functions of the Committee;
 - 8.3.2 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;
 - 8.3.3 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;
 - 8.3.4 the number of meetings of the Committee held during the period reported on and Committee members' attendance at these meetings;
 - 8.3.5 external advisers or invitees who regularly attend Committee meetings;
 - 8.3.6 key areas of focus during the reporting period; and
 - 8.3.7 information about any other responsibilities assigned to the Committee by the Board.

9 EVALUATION

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

10 REIMBURSEMENT OF EXPENSES

10.1 Members of the Committee should ensure that they are reimbursed by the Company 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

11.1 This mandate and terms of reference may, from time to time, be amended as required, subject to the approval of the Board.

11.2 These terms of reference will be due for review biennially or where otherwise required.