

TERMS OF REFERENCE: RISK COMMITTEE OF ABAGOLD GROUP

1. Constitution

The Risk Committee (the “Committee”) is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes in relation to risk for the business.

The Committee holds management accountable to monitor, develop, and communicate the processes for managing risks across the company and its subsidiaries. In this regard the Committee is to assist the Board in the discharge of its duties relating to the Abagold Risk Matrix and all associated risk in terms of management, assurance and reporting.

The terms of reference of the Committee are summarised herein and should be reviewed at least annually by the Committee and may be amended from time to time, as required, subject to the approval of the Board.

2. Membership

- 2.1 The members of the Committee shall comprise not less than three directors elected by the Board, all of whom shall be non-executive directors who must act independently;
- 2.2 The Board shall, in every financial year, elect members to the Committee and appoint a chairperson from the members of the Committee;
- 2.3 The Board shall have the power at any time to remove any member unsuitable to continue serving as a member of the Committee from the Committee, and to fill any vacancies created by such removal or in any other manner; and
- 2.4 All members of the Committee shall have a working familiarity with financial accounting and reporting requirements, as well as with risk assessment and risk management. The members of the Committee shall be knowledgeable about the affairs of the company and, where appropriate, specific skills shall be represented on the Committee.

3. Responsibilities of the Committee

- 3.1 The Committee will:
 - 3.1.1 Review the Abagold Risk Matrix on an ongoing basis and consider any changes, additions or components of this working document that require updating or improvement;
 - 3.1.2 perform the functions of the Risk Committee, where required, on behalf of subsidiaries; and

3.1.3 perform other functions determined by the Board.

3.2 Risks

The Committee will:

- 3.2.1 review and assess the effectiveness of the risk management systems and ensure that the risk policies and strategies are appropriately managed;
- 3.2.2 monitor external developments relating to corporate accountability, including but not limited to emerging and prospective risks;
- 3.2.3 set out the nature, role and responsibility of the risk management function within the company;
- 3.2.4 review the risk and risk tolerance of the company, with focus that the top 10 risks identified are adequately addressed by management and reported to the committee. The committee will also evaluate the inter-connectivity of risks on the matrix;
- 3.2.5 review the adequacy of insurance coverage;
- 3.2.6 monitor the assurance process of compliance against the relevant legislation and regulations impacting the company's participation within such industries and environment;
- 3.2.7 assist with the disclosure reporting in annual report;
- 3.2.8 ensure the periodic review of risk assessments, to determine the material risks to which the company may be exposed and to evaluate the strategy for managing those risks;
- 3.2.9 assess the appropriateness of management responses to significant risks;
- 3.2.10 keep abreast of significant changes to the risk management and control systems and ensure the risk matrix, profile and common understanding thereof is updated, as appropriate;
- 3.2.11 evaluate, at least once in every two years, the performance of the Committee by way of a self-evaluation, as part of the Board's review of the Committee's performance and effectiveness; and
- 3.2.12 ensure and oversee the preparation of a company Risk Matrix Register for presentation to the Board.

3.3 Ethics

3.3.1 Although the overriding ethical review of the company, as a whole, will be managed within the scope of the Social and Ethics committee, this Committee will be responsible for:

3.3.1.1 any environmental and social risks/issues.

4. **Reporting and accountability**

4.1 The chairperson of the Committee shall report to the Board on the Committee's activities and make recommendations to the Board concerning the adoption of the Risk Matrix and all components of risk associated and any other matters arising from the above responsibilities.

5. **Activities of the Committee**

5.1 In discharging its responsibilities, the Committee will, with regard to,

5.1.1 Internal control relative to Risk Management

5.1.1.1 review the company's statement on internal control systems, specifically relating to risk management, prior to endorsement by the Board, and in particular to review:

5.1.2.1.1 the procedures for identifying business risks and controlling their impact on the company;

5.1.2.1.2 the company's policies for preventing or detecting fraud;

5.1.2.1.3 the company's policies for ensuring that the company complies with relevant regulatory and legal requirements;

5.1.2.1.4 the operational effectiveness of these policies and procedures;

5.1.1.2 consider whether or not the objectives, organisation, staffing plans, financial budgets provide adequate support to enable the Committee to meet its objectives;

5.1.1.3 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;

5.1.1.4 review the controls over significant risks; and

5.1.1.5 consider other relevant matters referred to it by the Board.

- 5.2 The Committee, in carrying out its duties, will have due regard for the principles of governance and code of best practice as contained in the King IV Report on Corporate Governance for South Africa.
- 5.3 The committee will, in discharging its duties, consider identified strategic as well as operational risks.

6. Meetings

- 6.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will meet not less than twice a year, with at least one physical inspection of the facilities on a yearly basis. The Board or any member thereof, including members of the Committee and management, may call further meetings;
- 6.2 The designated risk manager must be invited to attend the committee meetings before each Board of directors meeting to present the Risk Matrix of the company for any financial year for recommendation of approval by the Board;
- 6.3 Reasonable notice of meetings and the business to be conducted thereat shall be given to the members of the Committee, the chairperson of the Board, the chief executive and executives and managers responsible for risk to make proposals as necessary;
- 6.4 The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee, whether in person or via telephone or video conference link;
- 6.5 Decisions of the Committee shall be carried by vote of the majority of members present at meetings, and in the event of a voting deadlock the matter/resolution at issue shall be referred to the Board for a decision;
- 6.6 The risk manager, operations director and managing director shall attend all of the four Committee's meetings per annum and shall have unrestricted access to the chairperson or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee;
- 6.7 The chairperson, at his/her discretion, may invite other executives and directors to attend and to be heard at meetings of the Committee;
- 6.8 No attendee not being a member of the Committee shall have a vote at meetings of the Committee; and
- 6.9 The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the Board at the immediate following Board meeting and the agenda for each such Board meeting shall provide an opportunity for the chairperson of the Committee to report orally or in writing or otherwise on any matters of importance as well as on the Committee's findings and recommended actions.

7. Proceedings

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the company's articles of association regulating the meetings and proceedings of directors and Committees; and
- 7.2 The chairperson of the Committee will ensure that minutes are taken at all meetings. These shall be reviewed and approved by the members of the Committee.

8. Authority of the Committee and resources available to it

The Committee, in carrying out its tasks under these terms of reference:

- 8.1 is authorised to investigate any activity within its terms of reference;
- 8.2 may require other employees of the company to attend meetings or parts of meetings;
- 8.3 may consult with and seek any information it requires from any employee and all employees shall be required to co-operate with any request made by the Committee in the course of its duties; and
- 8.4 shall at least once a year meet with the external auditors without any executive member of the Board in attendance.

9. Remuneration

- 9.1 Having regard to the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the articles of association of the company, members of the Committee may be paid such special remuneration in respect of their appointment as may be fixed by the Board from time to time.
- 9.2 The chairperson of the Committee may, in addition to his or her remuneration as a member, receive a further sum as may be determined by the Board from time to time.

10. General

- 10.1 The Board shall ensure that the Committee will have access to professional advice both inside and outside the company in order for it to perform its duties. The Committee may obtain such outside or other independent professional advice as it considers necessary to carry out its duties, at the expense of the company.
- 10.2 The Committee may, in carrying out its responsibilities in accordance with these terms of reference, obtain the views of the Chief Executive Officer of the company.
- 10.3 These terms of reference may be amended as required, subject to the approval of the Board.

8th December 2017