

RISK MANAGEMENT, CAPITAL AND INVESTMENT COMMITTEE

TERMS OF REFERENCE

1 INTRODUCTION

- 1.1 The Risk Management Committee (the Committee) is constituted as a committee of the board of directors of Tongaat Hulett Limited Limited (“**the Company**”). The duties and responsibilities of the members of the Committee are in addition to those as members of the board.
- 1.2 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 judgement in accordance with their statutory obligations.
- 1.3 These terms of reference are subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation and any other applicable law or regulatory provision.
- 1.4 The primary responsibility of the Committee is to oversee and approve the company-wide risk, capital and investment management practices to assist the board in fulfilling its obligations.

2 PURPOSE OF THE 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 MEMBERSHIP

- 3.1 The Committee will comprise at least [3] directors as determined by the board. The membership will include a combination of executive and non-executive directors, with a majority being non-executive directors. Each member will be required to have an understanding of risk and investment management expertise commensurate with the company’s size, complexity and capital structure;

- 3.2 Where requested the Committee will provide its members with training opportunities on topics relevant to the responsibilities of the Committee;
- 3.3 Committee members will be appointed by the board. Unless a Chair is elected by the full board, the members of the Committee may designate a Chair by majority vote.;
- 3.4 The Chair of the Audit and Compliance Committee shall be an *ex officio* member of this Committee.
- 3.5 The Committee's composition shall be reviewed at least every three years and members may be eligible for re-appointment.
- 3.6 The CEO and/or CFO may be asked to provide input to the Committee. The Committee will meet at least twice a year, or more frequently as circumstances dictate. The Committee Chair will approve the agenda for the Committee's meetings, and any member and the CEO and CFO may suggest items for considerations. Briefing materials will be provided to the Committee as far in advance of meetings as practicable;

4 **ROLE**

- 4.1 The Committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval. The Committee does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior management. The Company operates as part of the overall combined risk assurance framework of the Tongaat Hulett Limited Limited Group ("**the Group**").
- 4.2 The role of the Committee is to assist the board to ensure that:-
 - 4.2.1 the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives;
 - 4.2.2 the disclosures made by management with regard to the Company's risk management processes are comprehensive, timely and relevant; and
 - 4.2.3 Overseeing the analysis and evaluation of investment and divestment opportunities for the Group.

5 **RESPONSIBILITIES**

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

Risk Management

- 5.1 Help to set the tone and develop a risk management culture for the business, vis-à-vis risk, promote open discussion of all matters included in the charter of the Committee such that risk and investment are managed rather than avoided or ignored;
- 5.2 Monitor the company's risk profile and its ongoing and potential exposure to risks of various types, by formally evaluating and considering the company's risk matrix at least twice annually, but up to once a quarter if deemed necessary by the Committee;
- 5.3 Approve the risk management policy and plan. Management should develop both the risk management policy and plan for approval by the Committee. The risk management plan should consider the maturity of risk management of the company and should be tailored to the specific circumstances of the company;
- 5.4 Monitor all business risks and in doing so the Committee will recognize the responsibilities delegated to other committees by the board and understands that other committees may emphasize specific risk monitoring through their respective activities.
- 5.5 Ensure that the company's risk governance encompasses both the opportunities and associated risks to be considered when developing strategy, and the effects of those risks on the achievement of organizational objectives;
- 5.6 Ensure that risk management, and internal control, are focused on business performance and the effectiveness of business operations, safeguarding of the company's assets, supports business sustainability under normal as well as adverse operating conditions and responsible behaviour towards all stakeholders including but not limited to shareholders, policyholders and employees;
- 5.7 Make recommendations to the Board regarding the company's appetite/tolerance for risk, and set risk strategy policies to monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 5.8 Overseeing the process in which the executive team has identified and assessed all the risks that the organization faces and has established a risk management infrastructure capable of addressing those risks;
- 5.9 Overseeing, in conjunction, with other board committees or the full board, if applicable, risks, such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks;
- 5.10 liaising closely with the Audit Committee to exchange information relevant to risk;
- 5.11 In conjunction with the full board, approving the company's enterprise wide risk management framework;
- 5.12 reviewing the adequacy of insurance coverage, it being recorded, however, that in some instances the Company's Executive Committee may determine that insurance cover for certain risks is not required.

- 5.13 reviewing reports on risk management that are to be included in the annual integrated report, to ensure that such reports are comprehensive and relevant.

Capital Investment/Divestment management

- 5.14 Consider all capital expenditure and investment and/or divestment decisions which may be either not in the ordinary course of business or, if in the ordinary course of business, but of size/quantum (as may be determined by the delegation of authority framework approved by the board) that the proposed transaction requires board approval (“Qualifying Transaction”);
- 5.15 To monitor progress of major capital investments by way of the investment progress schedule together with post-implementation reviews;
- 5.16 Qualifying transactions shall include capital projects as well as acquisitions, disposals and/or mergers;
- 5.17 Ensure that TH implements an adequate overall approach towards the allocation of funding resources to business and risk activities with the aim of creating long-term shareholder value that is in line with the Company’s strategic priorities;
- 5.18 Ensure that all Qualifying Transactions submissions to the Board include a risk assessment report, skills allocation plan and where appropriate a business case or acquisition integration plan;
- 5.19 Evaluate the business case of QT’s and consider whether QT’s should be pursued considering the TH business strategy;
- 5.20 Where requested by TH Exco, advise and assist TH Exco in the process of considering QT’s, including, where appropriate, in relation to strategic fit, valuations and the outcome of due diligence reviews;
- 5.21 Ensure that the Qualifying Transaction meets the targets set by the Board in terms of return on capital at appropriate risk;
- 5.22 Pay attention to materially complex and/or unusual items, and focus on areas where considerable judgement is required;
- 5.23 Consider the impact of TH’s activities on, and the use of the group’s financial activities;
- 5.24 Consider input from management and/or any legal, accounting, corporate or other advisers regarding any Qualifying Transaction, including considering the merits of a Qualifying Transaction relative to the company’s strategy, the inherent execution risk, the regulatory and/or other approvals which may be required and the impact on the company’s stakeholders;
- 5.25 Make recommendations to the Board, in respect of all Qualifying Transactions, for consideration and/or approval by the Board;

- 5.26 Consider the appropriate capital structure for the business, including debt and equity components, including the currency and country within which debt and cash are held and debt facilities are managed
- 5.27 Overseeing the analysis and evaluation of investment and divestment opportunities and make recommendations to the board for consideration and approval;
- 5.28 Retaining external specialists and/or advisers to assist management with the analysis and evaluation of investment opportunities;
- 5.29 Providing oversight on the implementation and execution of specific investment opportunities that have been approved by the board.
- 5.30 **General**
- 5.31 The Committee will have the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting or other advisers, as necessary, to perform its duties and responsibilities;
- 5.32 In carrying out its duties and responsibilities, the Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

6 **AUTHORITY**

- 6.1 The Committee acts in terms of the delegated authority of the board as recorded in these terms of reference. It has the power to investigate any activities within the scope of its terms of reference.
- 6.2 The Committee, in the fulfilment of its duties, may call upon the chairmen of the other board committees, any of the executive directors, officers or company secretary to provide it with information, in accordance with a board approved process.
- 6.3 The Committee has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 6.4 The Committee may form, and delegate authority to, sub-committees or to one or more designated members of the Committee.
- 6.5 The Committee has the right to obtain independent professional advice to assist with the execution of its duties, at the Company's cost, in accordance with a board approved process.
- 6.6 The Committee should make such recommendations to the board as it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

7 MEETINGS AND REPORTING

7.1 **Frequency**

Meetings of the Committee should be held at such times as the Committee deems appropriate, but it should meet at least twice a year. Further meetings may be called by the Chair of the Committee or any other member of the Committee. Meetings should be arranged so that attendance is maximised.

7.2 **Attendance**

7.2.1 Members of senior management may be invited to attend meetings of the Committee from time to time, as may be appropriate.

7.2.2 The Chair of the Committee may meet with the CEO, the Chief Risk Officer and/or the Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

7.2.3 If the nominated Chair of the Committee is absent from a meeting, one of the members present shall be elected by the Committee to act as Chair at such meeting.

7.3 **Agenda, minutes & reporting**

7.3.1 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year, each of which shall be annexed to, and shall be deemed to be incorporated in these Terms of Reference.

7.3.2 The annual work plan must ensure proper coverage of the matters laid out in these terms of reference. The plan should ensure that more critical matters are attended to each year, while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

7.3.3 Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters for discussion.

7.3.4 Minutes of meetings shall be taken by the Committee secretary, and shall be circulated to all the members of the Committee. The minutes must be formally approved by the Committee at its next scheduled meeting.

7.3.5 Keep risk on both the full board's and management's agenda on a regular basis;

7.3.6 Disclose in the company's Integrated Report how it has satisfied itself that risk assessments, response and interventions are effective.

7.4 Declaration of interests

7.4.1 At the commencement of each meeting, all Committee members should declare whether they have any conflict of interest in respect of any matter on the agenda.

- 7.4.2 Such conflict should be recorded in the minutes and conflict of interest register (where applicable).
- 7.4.3 The Committee should discuss the conflict and decide upon its severity, impact and the determine the appropriate management of such.
- 7.4.4 Depending on the outcome of Clause 7.4.1, when that agenda item arises the member should be recused from the meeting for the duration of that matter being discussed.

7.5 **Quorum**

The quorum for decisions of the Committee shall be three members present, of whom one member shall be a non-executive director.

A decision that could be voted on and at a meeting of the Committee may instead be adopted by written consent of a majority of the members given in person or by electronic communication if it is not possible to obtain a quorum for a meeting of the Committee due to the absence of one or more members. Each committee member shall have 1 (one) vote.

8 **EVALUATION**

The board should perform an evaluation of the effectiveness of the Committee every year and may arrange an independent review from time to time.

9 **APPROVAL**

- 9.1 The Committee shall:
 - 9.1.1 Review the charter at least annually and update it as needed to respond to new risk-oversight needs and any changes in regulatory or other requirements;
 - 9.1.2 Review and approve the management-level risk committee charter, if applicable; and
 - 9.1.3 Submit the charter to the full board for approval annually.