



**AECI LIMITED**

**RISK COMMITTEE**

**TERMS OF REFERENCE**

(Approved and adopted by the Board on 21 February 2011. Scheduled for review/update in July 2013)

It was RESOLVED THAT the terms of reference of the Risk Committee be hereby amended and approved with effect from 21 February 2011 to read as follows:

References to "AECI" or "the Company" shall mean AECI Limited.

References to the "AECI Group" shall mean AECI and its subsidiary companies as contemplated in the Companies Act, No. 71 of 2008.

References to "the Committee" shall mean the Company's Risk Management Committee.

References to "the Board" shall mean the Company's board of Directors.

## 1 Mandate and objectives

- 1.1 The objective of the Committee is to assist the Board in overseeing its duties relating to the identification and governance of risk and the assessment of the effectiveness of risk management in the AECI Group.
- 1.2 Risk management is the identification and evaluation of actual and potential risk areas as they pertain to the Company as a total entity, followed by a process to either terminate, treat, transfer, tolerate (accept or mitigate) risks through a system of appropriate internal controls. The risk management process entails risk identification, evaluation, control, continuous monitoring and resources to minimise the impact of the Company's risk exposure to a level that can be tolerated by shareholders and other stakeholders who the Board has identified as relevant to the business of the Company.

## 2 Membership

- 2.1 The Committee shall be appointed by the Board and shall comprise of a Chairperson and at least 9 (nine) other permanent members, 2 (two) of whom including the Chairperson should be Non-executive Directors, plus the Chief Executive and Financial Director of the Company and the Managing Directors of the Company's subsidiary companies.
- 2.2 The Committee shall in conjunction with the Board appoint the Committee Chairperson who should not be the Chairperson of the Board but should be an independent Non-executive Director. In the absence of the Committee Chairperson and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 2.3 The Chairperson of the AECI Audit Committee will be an ex officio member of the Committee.
- 2.4 The Board, after taking into account rotation and re-election of Directors in terms of the Company's articles of association at each annual general meeting, shall elect the members of the Committee at the first Board meeting following the annual general meeting.
- 2.5 A member of the Committee shall, in the event that he/she ceases for whatsoever reasons to be a Director or employee of the Company, also resign as a member of the Committee. Notwithstanding the aforesaid and 2.3 above, the Board shall have the power at all times to remove any member from the Committee and to fill any vacancies created by such removal. The Board shall also have the right to appoint any additional members as deemed necessary.

- 2.6 The members of the Committee as a whole must have sufficient qualifications and experience to fulfill their duties.
- 2.7 Other Directors and Senior Management of the Company may, at the Chairperson of the Committee's discretion, be invited to attend meetings of the Committee from time to time.
- 2.8 The Committee Chairperson should, subject to satisfactory performance and being re-elected as a member of the Committee after each annual general meeting of the Company, not hold office as the Chairperson of the Committee for a period exceeding 5 (five) consecutive years. While there may be instances in which it is appropriate for an independent Non-executive Director to serve as Chairperson of the Committee for longer than 5 (five) consecutive years, the reasons therefore should be carefully considered by the Committee and the Board prior to such appointment.

### 3 Secretary

The AECI Company Secretary shall act as the secretary of the Committee.

### 4 Quorum

The quorum necessary for the transaction of business shall be a majority of members appointed provided, however, that at least one member who is present at the meeting is a Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### 5 Frequency of meetings

- 5.1 The Committee shall meet at least 4 (four) times a year and at such other times as the Chairperson of the Committee shall require. Meetings in addition to those scheduled may, with the approval of the Chairperson of the Committee, be held at the request of the Chief Executive, other members of Senior Management or at the instance of the Board.
- 5.2 Members and/or invitees of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.

### 6 Notice of meetings

- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Chairperson of the Committee.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Committee member at least 5 (five) days prior to the date of each meeting.

## 7 Minutes of meeting

- 7.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to the Chairperson of the Board and made available on request to other members of the Board.

## 8 Annual general meeting

The Chairperson of the Committee should attend the Company's annual general meeting in order to respond to any shareholder questions on the Committee's activities.

## 9 Duties

- 9.1 The duties of the Committee shall include but not necessarily be limited to:
  - 9.1.1 establishing and maintaining a common understanding of the risk universe that needs to be addressed in order to achieve corporate objectives;
  - 9.1.2 reviewing and confirming, at least annually, the levels of risk tolerance and the risk profile of the Company;
  - 9.1.3 co-ordinating the Company's risk management and assurance efforts;
  - 9.1.4 considering the results of the assurance efforts and ensuring that appropriate action is taken;
  - 9.1.5 assisting the Board in the overseeing of its duties relating to the identification of risk and the assessment of the effectiveness of risk management in the AECI Group;
  - 9.1.6 reviewing and assessing the integrity of the risk control systems and ensuring that the risk policies and strategies are managed effectively;
  - 9.1.7 monitoring external developments relating to corporate accountability, including but not limited to emerging and prospective impacts;
  - 9.1.8 setting out the nature, role and responsibility and function of risk management in the AECI Group;
  - 9.1.9 reviewing the impact that significant litigation could have on the AECI Group;
  - 9.1.10 reviewing the risk philosophy, strategies and policies and ensuring compliance with such policies and the risk profile of the AECI Group. Risk in the widest sense shall include issues such as market risk, credit risk, liquidity risk, operational risk and commercial risk, which together may cover detailed combined risk such as:
    - 9.1.10.1 interest rate risk;
    - 9.1.10.2 country risk;
    - 9.1.10.3 currency, foreign exchange and commodity price risk;

- 9.1.10.4 technology risk;
- 9.1.10.5 price risk;
- 9.1.10.6 disaster recovery risk;
- 9.1.10.7 prudential risk;
- 9.1.10.8 reputational risk;
- 9.1.10.9 competitive risk;
- 9.1.10.10 legal risk;
- 9.1.10.11 compliance and control risks;
- 9.1.10.12 sensitivity risk e.g. environmental, health and safety;
- 9.1.10.13 investment risk;
- 9.1.10.14 asset valuation risk; and
- 9.1.10.15 other risks appropriate to the business, which may be identified from time to time.
- 9.1.11 reviewing the adequacy of the Company's insurance coverage;
- 9.1.12 reviewing the risk identification and measurement methodologies;
- 9.1.13 monitoring procedures to deal with and review disclosure of information of stakeholders;
- 9.1.14 liaising closely with the AECI Audit Committee to exchange information relevant to risk;
- 9.1.15 expressing the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management; and
- 9.1.16 reviewing reporting concerning risk management that is to be included in the integrated report in order to ensure that it is timely, comprehensive and relevant.
- 9.2 In performing its duties, the Committee will have due regard for the principles of governance and codes of best practice and assist with disclosure reporting in annual reports.
- 9.3 The duties and responsibilities of the members of the Committee are in addition to those as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board in regard to their fiduciary duties and responsibilities and they must continue to exercise due care and judgement in accordance with their statutory obligations.

## 10 Authority

- 10.1 The Committee will have reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 10.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference.
- 10.3 These terms of reference may be amended as required, subject to approval by the Board.

- 10.4 The Committee shall report to the Board through the Committee Chairperson, who shall provide a review of the deliberations of the Committee and its recommendations for Board consideration and/or approval as appropriate.
- 10.5 Where appropriate, or otherwise as authorised by the Board, decisions of the Committee may be taken by way of round robin resolution.

11 Review and assessment

The Committee's activities and effectiveness should be assessed periodically and reviewed by the Board.