RISK MANAGEMENT POLICY

Preface

The Risk Policy sets out Mahube Infrastructure Limited's ("**Mahube**") approach to risk and the management thereof. The aim of the Policy is not to have risk eliminated completely from Mahube's activities, but rather to ascertain every effort in identifying, analysing and managing risk in order to minimise its frequency and adverse effects of risk.

The risks considered significant to the ability of Mahube to achieve its objectives are set out in the Risk Register, which incorporates actions for dealing with those risks within the context of the Mahube Group, being Mahube; Mahube Capital Fund 1 (RF) Proprietary Limited, Mahube Infrastructure Investment 1 Proprietary Limited, their subsidiaries and associates; and any future subsidiary and/or associate of Mahube ("**the Group**").

Introduction

Risk is present throughout an organisation. The Group recognises that the management of risk is vital to good management practice and must be an integral part of all the functions and activities of an organisation.

The purpose of the Group's Risk Policy is to develop a consistent approach towards risk across the organisation and outline processes for recognising, analysing and dealing with risks as well as assuring the effectiveness of the identified processes.

The Risk Policy is designed to enable the Mahube Group to minimise the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures in order to ensure the efficient and effective use of Mahube resources.

The management of risks includes the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

Implementation of Risk Management

Overall responsibility for risk management within the Mahube Group lies with the Mahube Board of Directors ("the Board"), with responsibility for implementation delegated to the Audit & Risk Committee. The Audit & Risk Committee is also responsible for assessing the effectiveness of risk management policy and processes and reports on the arrangements for risk management to the Board.

Risk Policy

1. Objectives of the Policy is to

1.1 outline the Group's underlying approach to risk assurance;

1.2 create a culture for all Mahube employees and/or associates to take responsibility for risk management;

1.3 document the roles and responsibilities of the Board, the Audit & Risk Committee, other key committees, Executive Management and other Mahube employees and/or associates;

1.4 outline risk management principles within Mahube and confirm Mahube's commitment that risk management is an integral part of all organisational processes;

1.5 identify the main reporting procedures; and

1.6 optimize the balance between risk and reward with the Group.

2. Approach to Risk Management

2.1 The definition of risk adopted by the Group is twofold:

2.1.1 Threat - An uncertain event which if it was to occur would a have a material negative effect on the likelihood of achieving Group objectives.

2.1.2 Opportunity – An uncertain event which if it was to occur would have a favourable and advantageous effect on the likelihood of achieving Group objectives.

2.2 Risks are linked to objectives which exist on different planes:

    2.2.1   Corporate/strategic – risks that affect the organisation;

    2.2.2   Operational – risks that are predominantly related to the operation of specific areas of the Group;

    2.2.3   Transaction/Investment – risks associated with independent and, usually, time limited activities.

2.3 The Group accepts that total elimination of risk is neither desirable nor achievable. It expects Executives to take all reasonable steps to mitigate risk. The level of risk accepted should be commensurate with the expected reward. In overall terms, it is looking to achieve a balanced risk portfolio to achieve the Group's objectives.

2.4 The following key principles outline the Group's approach to risk and internal control:

    2.4.1   the Board has responsibility for overseeing risk management within the Group;

    2.4.2   the approach adopted to identifying and mitigating risk is an open one, receptive to input from all Directors and staff at all levels;

    2.4.3   the management team supports, advises and implements policies approved by the Board;

    2.4.4   significant risks will be identified and monitored on a regular basis;

    2.4.5   the Group adopts standard reporting processes and frameworks.

3 Roles and Responsibilities
Role of the Board of Directors

3.1 The Board has responsibility for the oversight of the management of risk, part of which it may delegate to the Audit & Risk Committee.

3.2 Through approving the Risk Policy, the Board sets the tone and influences the culture of risk management within the Organisation. This includes determining:

    3.2.1   whether the Group is 'risk taking' or 'risk adverse' as a whole or on any specific issue;

    3.2.2   the 'risk appetite' of the Group;

    3.2.3   what types of risk are acceptable and which are not; and

    3.2.4   the standards and expectations of staff with respect to conduct and probity in relation to risk management.

3.3 The Board is also responsible for:

    3.3.1   ensuring that integrated risk management and internal control systems are implemented;

    3.3.2   ensuring that the Group has implemented an effective ongoing process to identify risks with the purpose of achieving the objectives of Mahube pertaining to efficiency, protection of assets, compliance to legislation and responsible behaviour towards stakeholders;

    3.3.3   determining the appropriate level of risk exposure for the Group;

    3.3.4   taking major decisions affecting the Group's risk exposure;

    3.3.5   monitoring the management of the most significant risks;

    3.3.6   identifying and evaluating the significant risks faced by the Group;

    3.3.7   approving the Group Risk Register;

    3.3.8   assuring itself that risks identified across the Group are being actively managed, with appropriate controls in place which are working effectively;

    3.3.9   ensuring that the Group's reputation is protected;

    3.3.10   specifically considering risks that may affect the sustainability of the Group; and

3.3.11   annually reviewing the Group's Risk Policy to ensure it remains fit for purpose.

Role of the Audit & Risk Committee

3.4   The Audit & Risk Committee is appointed by the Board to assist in carrying out its responsibilities in relation to risk management and is responsible for:

3.4.1   overseeing the development, implementation and annual review of a Risk Policy and the process of risk management;

3.4.2   making recommendations to the Board concerning levels of risk tolerance and risk appetite and monitor that risks are managed within levels of risk tolerance and appetite as approved by the Board;

3.4.3   ensuring that compliance forms an integral part of the Group's risk management process;

3.4.4   ensuring that management considers and implements appropriate risk responses;

3.4.5   considering, evaluating and maintaining the Group Risk Register;

3.4.6   implementing policies on risk management within the areas for which they are responsible;

3.4.7   providing adequate information in a timely manner to the Board on the status of risks and controls; and

3.4.8   undertaking an annual review of the effectiveness of the system of internal control and providing a report to the Board.

Role of Executive Management

3.5   Day to day responsibility for risk management has been delegated to the Executive Management team and they are responsible for:

3.5.1   identifying and evaluating the significant risks faced by the Group;

3.5.2   implementing an effective risk management process, including the identification, analysis and evaluation of risks specific to their area of responsibility;

3.5.3   setting the tone and influence of the culture of risk management across the Group;

3.5.4   maintaining the Risk Register and managing risks within their area of responsibility;

3.5.5   fulfilling the risk management responsibilities and being accountable to the Audit & Risk Committee;

3.5.6   ensuring compliance with the Group's Risk Policy and procedures;

3.5.7   ensuring that the development, implementation and monitoring of an integrated risk management process is in place; and

3.5.8   providing adequate information in a timely manner to the Audit & Risk Committee on the status of risks and controls

Role of Internal Audit

3.6   The Internal Audit function operates independently and reports to the Audit & Risk Committee. The following responsibilities with regard to risk management are assumed by Internal Audit

3.6.1   providing assurance on the effectiveness of the system of risk management including identifying key risks, mitigating actions and internal controls;

3.6.2   assisting the Audit & Risk Committee and Executive Management in monitoring risks;

3.6.3   providing independent assurance on the Executive Management's assertions surrounding the robustness and effectiveness of risk management within the Group; and

3.6.4 monitoring through own assurance processes the progress in the management of risk and reporting to the Audit & Risk Committee in terms of risk management.

4 Risk Management

4.1 The objective of risk management is to actively support the implementation of the Group's strategy and the achievement of the agreed objectives and not simply to avoid risk. Risk management is not only focused on threats but also on opportunities which are created by proper risk management principles and procedures.

4.2 Risk management involves determining the acceptable level of exposure to risk which enables the achievement of Group objectives whilst achieving a balance between the level of risk exposure and the cost of mitigating actions. Risk management is a process which provides assurance that:

4.2.1 objectives at all levels are more likely to be achieved;

4.2.2 damaging events are less likely to occur;

4.2.3 beneficial events are more likely to occur.

5 Risk Process Overview

5.1 The diagram below illustrates the process which Mahube aims to deploy as a strategy to minimise and address risk which include the following elements:

5.1.1 Establishment Context;

5.1.2 Risk Identification;

5.1.3 Risk Analysis;

5.1.4 Risk Evaluation; and

5.1.5 Risk Treatment.
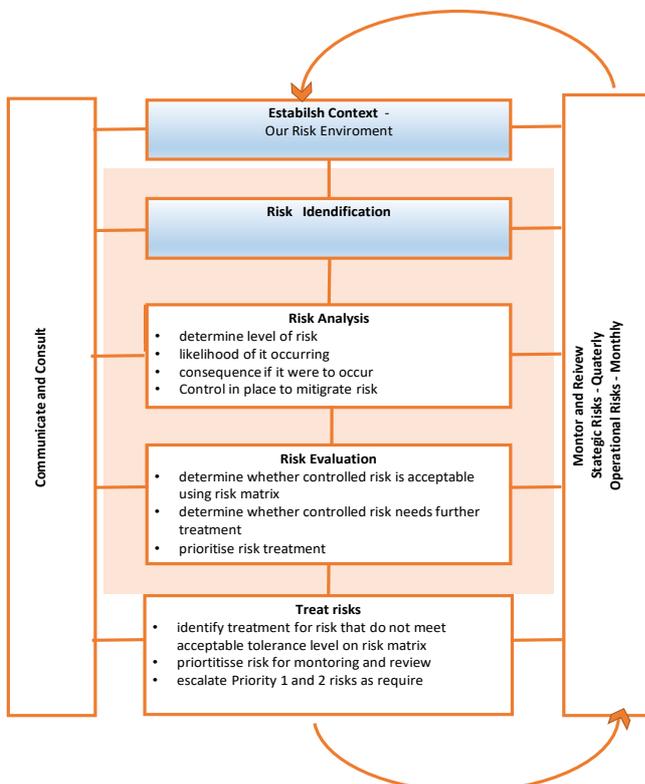
6 Reporting Framework

6.1 The Group uses a single Risk Register which delivers a consistent format whilst allowing for different views of the information.

6.2 Risks will be categorised into Assets, Investors, Regulatory/Financial Reporting, and/or People & Processes. The category of risk will assist in determining the appropriate method of managing the risk.

6.3 Risks will be assessed using two elements: impact of the risk occurring and the probability of occurrence. Each element will be assessed on a 5-point scale.

6.4 The impact of a risk occurring is likely to affect the cost, quality or the timeliness of the activity. The Impact of a risk will be the determined by the highest score received on the matrix overleaf.

IMPACT	IMPACT VALUES	DESCRIPTION	RESOLUTION
INSIGNIFICANT	1	An event that will have no or limited impact on Mahube (financial impact <R100,000)	Resolution would be achieved during normal day to day activity. Risk owner can manage risk locally
MINOR	2	An event that can be sustained under normal operating conditions (financial impact >R100k <R1.5m)	Resolution would require coordinated input from senior management
MODERATE	3	An event that can be managed, but will have extensive negative consequences in the short term (financial impact >R1.5m <R5m)	Resolution would require input from senior management and selected members of the Board and can be managed without additional funds
MAJOR	4	A serious event which could be endured, but will have far-reaching negative effects over the long term (financial impact >R5m <R10m)	Resolution would require the mobilisation of a dedicated project team and it is not possible to meet the cost within the approved budget and further funding would be required
CATASTROPHIC	5	An event that will prevent Mahube from achieving its objectives and may lead to lasting negative consequences (financial impact >R10m)	Resolution would require input from the Board and increased costs would negate benefits of activity and may destabilise the Group

6.5 The Assessment of the probability of a risk occurring is standard across the Group

LIKELIHOOD	LIKELIHOOD VALUES	ALL RISKS
ALMOST CERTAIN	5	Extremely likely to occur (> 90% probability) It is expected that the event will occur in most circumstances
LIKELY	4	Very likely to occur (>50%<90% probability) The event will probably occur in most circumstances
MODERATE	3	Likely to occur (>25%<50% probability) The event may possibly occur in some circumstances (foreseeable period of less than 18 months)
UNLIKELY	2	Unlikely to occur (>10%<25% probability) It is not expected that the event will occur
RARE	1	Highly unlikely to occur (<10% probability) The event may occur only in exceptional circumstances

6.6 Risks will be scored before and after mitigating actions and at each point of scoring the total risk will be the multiple of the two elemental scores:

LIKELIHOOD	CONSEQUENCES				
	INSIGNIFICANT (*Minor issue handled by normal day to day operations = < R100k)*	MINOR (Non-routine issue = R100k – R1.5m)	SIGNIFICANT (Significant issue –time & resources = >R1.5m <R5m)	MAJOR (Severe – time resources >R5m - R10m)	CATASTROPHIC (Business Survival at Risk = > R10m)
ALMOST CERTAIN> 90%	Low	Moderate	High	Extreme	Extreme
LIKELY >50%<90%	Low	Moderate	High	High	Extreme
POSSIBLE >25%<50%	Low	Moderate	Moderate	High	High
UNLIKELY >10%<25%	Low	Low	Moderate	Moderate	Moderate
RARE<10%	Low	Low	Low	Low	Low

6.7 The Risk Scores are underpinned by the following definitions:

Risk Score	Extreme	Close monitoring by the Board and Risk Owner High or very high exposure Beyond risk appetite Urgent need to consider additional risk mitigation action Contingency plan required
	High	Close Monitoring/management by Risk Owner Borderline risk appetite Urgent need to consider additional risk mitigation action Contingency plan required Exception reporting on increasing severity to red
	Moderate	Medium exposure Within risk appetite Need to consider additional risk mitigation measures Close monitoring/management by risk owner Review by Project manager
	Low	Low exposure Well within risk appetite Monthly monitoring by Risk Owner Risk owner should consider relaxation of control

6.8 Mitigating actions are controls and actions taken to reduce the likelihood of a risk occurring, or to limit the impact of the risk. Risk exposure is the net risk after all mitigating actions or factors have been taken into account. The controls to mitigate identified risks are measured based on the effectiveness of the controls.

CONTROL EFFECTIVENESS	CONTROL VALUES	DESCRIPTION
EXCELLENT	0.2	All measures and controls, as far as practically possible, have been implemented to mitigate
GOOD	0.4	Measures and controls are in place to mitigate risk, but there is room for improvement
AVERAGE	0.5	Measures and controls are in place to mitigate risk, but only partially mitigate the risk and need to be improved
INADEQUATE	0.8	Measures and controls are in place, but don't mitigate the risk and substantial improvement is required

UNACCEPTABLE	1.0	Very few or no measures and controls are in place to mitigate the risk. It is urgently required that measures and controls be implemented or improved

6.9 The Risk Register also captures:

    6.9.1   the deadline for mitigating actions to be implemented (or embedded);

    6.9.2   Indicators which may signal that a risk is increasing or decreasing in response to mitigating actions;

    6.9.3   assurance mapping so that Managers can demonstrate that mitigating actions are both being implemented as designed and delivering the desired effect. The assurance mapping can be used to further test the assumptions of risk owners.

7   Risk and Internal Control

7.1 The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve policies, aims and objectives. It is based on an ongoing process to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

7.2 Related to significant risks are policies that among other things form part of the internal control process. The policies are approved by the Board and implemented by the management team.

7.3 Risk Management is addressed on a Group-wide basis.

7.4 Reporting arrangements through senior line management are designed to monitor key risks and their controls. Decisions to rectify problems are made by the risk owner, with reference to other staff and committees and the Board as and where appropriate to do so.

7.5 The Risk Register is compiled by the Board in conjunction with the Manager and the Audit & Risk Committee to help facilitate the identification, assessment and monitoring of risks of significant importance to the Group. The document is normally discussed quarterly by the Audit & Risk Committee and presented to the Board annually. Emerging risks are added as required, and improvement actions and risk indicators are monitored on an ongoing basis through line management structures.

7.6 The Audit & Risk Committee is required to report to the Board on internal controls and alert it to any emerging issues. The Audit & Risk Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee has responsibility, delegated by the Board, for oversight of risk assurance, ensuring that the Risk Policy is appropriately applied. It directly monitors the management of the most significant risks to the Group, as recorded in the Risk Register.

7.7 Internal audit is an important element of the internal control process. It is responsible for aspects of the annual review of the effectiveness of internal control systems. The internal audit plan is guided by, but not limited to, the assessment of risks identified through the Group's risk management procedures.

7.8 External Audit provides feedback to the Audit & Risk Committee on the operation of internal financial controls reviewed as part of the annual audit.

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