Banro Corporation Ltd

Group Risk Management Policy

June 2018

1. PURPOSE

A common approach to management of risk must be adopted across all functions, processes and business units of Banro Corporation Ltd and its subsidiaries ("Banro" or the "Company") to ensure that the Company is effective in evaluating and dealing with risk and uncertainty in achieving of its objectives. This risk policy sets out the minimum required framework required for implementing the Banro risk policy. All Banro employees must ensure that activities related to the identification, assessment and treatment of risk conform to the principles and standards as set in this document.

The risk policy facilitates the application of basic principles and tools across the diverse risk management activities undertaken by and on behalf of Banro. The application of the principles, standards and tools will enable the specific requirements of each function and location to be met while achieving a level of standardisation that permits Banro to leverage the full benefit of an enterprise-wide risk management (ERM) process.

2. DEFINITIONS

Definitions applicable to the understanding and application of the requirements contained within this Standard are located at Appendix A.

3. ROLES AND RESPONSIBILITIES

The applicable roles and responsibilities for the effective implementation, operation, monitoring and assurance of risk management activities are detailed in Appendix B.

4. RISK MANAGEMENT OBJECTIVES AND OVERVIEW

The purpose of this risk policy is to define a methodology to support the consistent identification, assessment, mitigation, reporting and monitoring of risks ("Risk Management") to support the achievement of strategy and objectives throughout Banro.

Effective Risk Management promotes better business performance, increases efficiency and aids effective governance. By proactively identifying and managing risks in a coordinated and aligned manner, Banro will:

i. Avoid surprises, increase certainty in outcomes, reduce fluctuations to plans and guidance and increase stakeholder confidence in management to deliver;
ii. Achieve efficiencies and eliminate duplication by allocating scarce resources to properly identify, prioritize and mitigate risks within the business;
iii. Improve organization communication, enable confident and quicker decisions through consideration of risk in key decision-making processes; and

iv. Fulfill responsibilities to key stakeholders and comply with regulatory requirements.

A basic methodology, based on globally accepted standards and supported by mandated tools, will provide Banro with an effective enterprise-wide risk management framework that meets stakeholder expectations and satisfies governance requirements.

This risk policy provides a practical way to meet the increasing stakeholder expectations and deliver real value by:

i. Focusing risk management activities on areas where tangible material impacts are most likely to result;
ii. Providing relevance and linkage to the Company and its business objectives;
iii. Establishing clear alignment of internal control, risk management, and business processes;
iv. Defining clear, consistent, and familiar language to describe and discuss risk management activities.

5. RISK IDENTIFICATION

5.1 Responsibility for risk identification

a) Executive management and the Banro Corporation Ltd board of directors ("Board") are responsible for the identification of risks that threaten the achievement of Banro's vision, core values and strategic objectives – **Corporate Risk Profile**;

b) Functional leads are responsible for identifying the key risks inherent in the processes and specific objectives related to their functions – **Functional/Department Risk Profile**;

c) Project managers and approval for expenditure ("AFE") owners are responsible for identifying the applicability of the key functional risks as they pertain to their operations as well as identifying unique risks to the achievement of the project objectives – **Project/Activity Risk Profile;**

d) Operational line management is responsible for identifying the applicability of the key functional risks as they pertain to their operations as well as identifying risks to the achievement of goals and objectives as they relate to business, project and initiative activities as outlined in the mine plans and supporting budget/forecast documents – **Site Risk Profiles;**

e) All employees are expected to be aware of the risks pertaining to the core values, successful completion of their specific job tasks, the overall achievement of their specific objectives and meeting their personal commitments.

While individual groups are responsible for undertaking risk assessments, it is critical to acknowledge the inter-relationship of the risk profiles of the various functions and business units in Banro. The Company must view risk both vertically within a given functional area, and horizontally across a project, site, region or the entire organization.

5.2 Risk identification process

The risk identification process generally takes place at specified times as mandated through business planning processes, task planning processes, change processes and specified reporting/review intervals.

Risk owners, however, are required to ensure that they maintain ongoing vigilance on the impacts that a dynamic operating environment has on the risks for which they are responsible.

In order to be effective and facilitate the creation of a robust risk profile, the risk identification activity must:

a) Relate to the business objective at risk – be it a specific strategic objective, a core value, an AFE outcome, a transaction requirement, or a task objective;
b) Involve people with relevant knowledge and experience representing both functional and business unit perspectives; and
c) Document, at a minimum, the following information for each identified risk:

   I. Risk statements that are sufficiently explicit and clear to enable understanding of the issue. The format for a risk statement incorporates the cause and impact of the risk.
   II. A cross reference to one of the Banro risk categories from the category list at Appendix C.
   III. The Life of Mine period, for risks associated with operating and/or mine site under development.
   IV. The owner of the risk (refer to 5.3).

5.3 Risk Ownership

A key step when identifying a risk is to determine who owns or is accountable for the risk. ***Risk Owners*** *are accountable for the assessment, monitoring and status reporting of the risk*. They are accountable for ensuring that mitigation activities are undertaken by the appropriate resource(s).

Risk ownership may be more readily assigned in some instances than in others. In most cases, the Risk Owner will be the relevant functional lead for the issue. Examples are:

- Treasury risk owned by Corporate Controller
- Financial disclosure owned by CEO and CFO
- Site gold theft owned by General Manager
- Project outcome owned by Project Manager

6.0 RISK ANALYSIS

6.1 Context for Risk Analysis

Once a risk has been identified, the next step of the risk management process is to determine and rate the significance of the risk. While there are a variety of qualitative and quantitative methodologies possible for rating of a risk, the Banro standard is the use of the Banro rating criteria and matrix ("BRCM") in Appendix D.

Using this tool requires an evaluation of the likelihood of the risk occurring and the severity of impact should it occur.

The severity and likelihood of risks are to be assessed from the perspective of achieving the specific task/goal/objective (refer to 6.1.1 and 6.1.2).

6.1.1 Likelihood

The first criterion for assessing a given risk is the determination of the likelihood that it will occur. The BRCM incorporates measurement of likelihood, on a five point scale (1 - 5), that is primarily qualitative in nature:

i. Almost certain
ii. Expected
iii. Likely
iv. Unlikely
v. Rare

6.1.2 Severity

The purpose of this criterion is to identify the level of significance of the potential consequence or impact of the risk. It is assessed on a five point scale (1 – 5) reflecting the range of qualitative and quantitative outcomes of five (5) categories of consequence. These are:

i. Revenue/production variance (revenue drivers);
ii. Cost variance (cost drivers);
iii. Health, safety, environment and security; and
iv. Stakeholder relations and reputation.

The specific definitions for the five levels of impact for each of the consequence categories are provided in Appendix D.

6.2 Inherent/Residual Rating

Each identified risk must be assessed and given a rating for its inherent risk (raw/without recognition of treatment) and residual risk (after accounting for mitigation, transfer, avoidance or other treatment techniques). Inherent and residual risks are to be assessed and rated using the BRCM provided in Appendix D.

6.3 Risk Rating

The risk rating is the product of the likelihood ranking and the severity ranking of the risk. The BRCM incorporates a '5 x 5' matrix in which the likelihood ranking forms the Y- axis and severity, the X-axis. This forms a matrix of 25 squares which lead to 25 different possible ratings under three 3 rating categories:

i. High (9 ratings labeled H1 – H9);
ii. Medium (8 ratings labeled M10- M17); and
iii. Low (8 ratings labeled L18-L25).

It should be noted that any risk with a severity rating of 5, regardless of likelihood, is considered a high risk and thus subject to appropriate scrutiny as outlined in latter sections of this document.

7. RISK EVALUATION

7.1 Risk Appetite/Risk Tolerance

The amount of risk that an organization is willing to assume in pursuit of value is known as its risk appetite. It is where the Board and/or management considers itself to be on the spectrum of willingness to take or accept risk and unwillingness to take or accept risk.

It is their role to ensure that the collective risk profile of Banro falls within the organization's risk appetite. This is achieved through a variety of means including the application of the BRCM provided in Appendix D to confirm if a given risk is at an acceptable level (risk tolerance). Operating within risk tolerances provides greater assurance that the Company is within its risk appetite which in turn provides confidence that the business objectives will be met.

8. RISK TREATMENT

8.1 Context

Risks may be modified or controlled through a variety of tactics, or combinations of tactics, that will differ in terms of effectiveness in design and operation. The various generic categories of tactics generally involve avoiding, optimizing, transferring or retaining risk.

Various mitigation activities have differing levels of effectiveness in modifying a risk depending on whether they address either the likelihood or impact or both. Generally eliminating a risk, as in ceasing an activity, is the only sure way of addressing both.

8.2 Determining Treatment Impact

The difference between the inherent risk rating and the residual risk rating is the calculation of the impact of a risk treatment. This can be done by starting with the residual or inherent ranking. The process involves:

1. Recording a description of the mitigation activity;
2. Adding back (for starting at residual)/taking away (for starting with inherent) the likely impact of each specific treatment process/activity/on both the likelihood rating and the severity rating; and
3. Identifying the indicators/evidence that the risk treatment activity is achieving its objective.

8.3 Treatment effectiveness

To ensure that risks are being managed to the degree assumed by the residual risk ranking, those responsible for the risk treatment must provide details to the Risk Owner of the assurance program or activity that confirms the effectiveness of the mitigation activities. This is a mandatory requirement for all risks with an inherent rating of High (H) or Medium (M).

8.4 Not treatable risks

Some risks, normally rare and high impact by nature, are viewed by some as uncontrollable and not being possible to mitigate. This is generally a misnomer as while the occurrence of the event cannot be controlled (i.e. the likelihood), it is possible to address the severity of impact in some way, particularly through the pre-establishment of emergency response or contingency plans.

8.5 Action plans

Where the residual risk is deemed unacceptable and the need for changes to the risk treatment has been identified, a formal action plan should be created to outline:

i. The overall risk treatment strategy to be achieved;
ii. The specific action steps to be implemented;
iii. The time frame for implementation including due dates;
iv. The responsible person(s) for the actions (refer to 8.6);
v. The assurance activity that will confirm the treatment effectiveness;
vi. The status of implementation.

It should be noted that in circumstances where a risk is potentially being over-treated, resulting in unnecessary expense and resource allocation, the action plan may entail the removal of a control.

8.6 Responsibility for Risk Treatment

A responsible person should be identified for each existing risk treatment activity for a given risk. This should be the person, by nature of their role or responsibility in the Company, to deliver the defined risk treatment. The designated Risk Owner may or may not be responsible for a risk treatment, depending on the characteristics of the risk. It is the responsibility of the Risk Owner to ensure that the risk treatment is undertaken and must escalate to the appropriate supervisor should there be a deficiency in delivery.

9. COMMUNICATION AND CONSULTATION

9.1 Context

Information from the risk management process is required by a variety of internal and external stakeholders to the process. Each has specific needs for information.

The Board needs information to ensure that appropriate processes and controls are in place to identify, manage and monitor the business risks that result from the Company's business strategy.

Management must be aware of the risks that fall into their area of responsibility so that they can be managed effectively. In addition, knowledge of the risk profile of their business unit and the Company are critical to understanding the potential impact that risk in one area may have on another.

Employees must understand their specific accountabilities and responsibilities for individual risks. They must report promptly any perceived new risks or issues with existing risk mitigation programs and controls.

External stakeholders, including investors, require evidence that the risks inherent in the Company's activities are understood and well managed.

9.2 Escalation

Escalation is required when risks with:

1. A residual High (H) rating exist; and
2. An inherent High (H) rating exists and mitigation steps have not been identified or are not yet operational.

All risks that require escalation are escalated to the next organizational level above location of the Risk Owner. This is clarified below:

i. Risk Owner at a mine site/project – escalate to the Head of Projects and Operations "(HOA");
ii. Risk Owner at corporate/Toronto/financial – escalate to CFO;
iii. Risk Owner is a member of senior management – escalate by reporting to CEO, CFO, General Counsel.

9.3 Record Keeping

The Risk Owner must maintain a record of all risks (Risk Register) within their area of responsibility to the minimum level of detail set out at Appendix F (for operations) and Appendix G (for projects). This record shall serve as reporting at the local level and provide information for reviews by functional and local management reviews.

9.4 Consolidated Quarterly Reporting

The details and status of all risks with an inherent High (H) rating shall be reported on a consolidated basis escalating manner quarterly for discussion at the CEO-led quarterly business review.

The consolidation process to be used is as follows:

i. Mine sites to report on all High (H) risks to HOA;
ii. HOA and mine risks to be consolidated to Executive Management;
iii. Capital projects to be reported to the HOA; and
iv. HOA, capital projects and corporate functional to be provided for consolidation into the corporate risk register for reporting to Executive Management and the Board.

10. MONITORING & REVIEW

10.1 Monitoring

Risk Owners are responsible for monitoring the risks for which they are accountable to ensure that the risk control and treatment measures are effective in both design and operation. This includes monitoring changes in the internal and external environment that may require revision of the risk treatments and priorities

Corporate, regional and site functional leaders are responsible for:

i. analyzing events, changes & trends (lessons learned) to enhance the management of risk; and
ii. identifying emerging risks.

10.2 Assurance

The Head of Internal Audit shall implement a process of reviewing risk management practices across all facets of Banro's activities to ensure that the practices deployed comply with the requirements of this document and that the quality of the activities meets the objectives as stated in Section 4.

Areas of non-compliance and/or ineffective risk management activity will be reported to the CEO, HOA and CFO.

11. ASSISTANCE WITH DEPLOYMENT

The Head of Internal Audit is available to advise, and where possible to assist, Risk Owners and risk treatment owners in the application of suitable frameworks, methodologies and processes.

12. TOOLS

Banro utilizes a number of risk assessment tools and processes, none of which are specifically mandated. Risk processes will be deemed acceptable provided that they:

i. Incorporate the BRCM (Appendix D) for all rating of risk (inherent and residual); and
ii. Record the minimum data fields required of a risk register per Appendices F and G.

13. EFFECTIVE DATE AND REVIEW OF THIS STANDARD

This document is effective upon its adoption by the Board on May 24, 2018.

This document will be reviewed on an annual basis concurrent with the initiation of the assurance cycle. All suggestions and recommendations should be made to the Head of Internal Audit.

<Appendices to this policy follow this page>