

KUMBA IRON ORE LIMITED

(Registration number 2005/015852/06)
("Kumba" or "the Company")

AUDIT COMMITTEE

(the "committee")

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 In line with the requirements of section 94 of the Companies Act of 2008 (“the Act”) and the King Code of Governance Principles for South Africa, 2009 and the King Report on Governance for South Africa, 2009 (“King III”), the board of directors of the Company (“the board”) resolved to establish a statutory committee of the board to be known as the Audit committee (“the committee”).
- 1.2 Neither the appointment nor the duties of the committee reduce the functions and duties of the board or the directors of the Company, except with respect to the appointment, fees and terms of engagement of the auditor of the Company.
- 1.3 These terms of reference are subject to the provisions of the Companies Act No 71 of 2008, as amended (“the Companies Act”), the Memorandum of Incorporation of the Company and all applicable law and regulation.

2. PURPOSE

- 2.1 The committee has an independent role with accountability to shareholders and to the board. The committee does not assume the functions of management, which remains the responsibility of the executive committee.
- 2.2 The committee is a committee of the board established to review the principles, policies and practices adopted in the preparation of the financial statements of the Company **and its subsidiaries (the “group”)** and to ensure that the interim and annual financial statements of the group and any other formal announcements relating to the group’s financial performance comply with all statutory and stock exchange requirements. **To eliminate any confusion, the committee is also the audit committee for Sishen Iron Ore Company Proprietary Limited (“SIOC”) in terms of a resolution of the directors of SIOC dated 31 January 2008 in accordance with Section 94(2) of the Companies Act.**
- 2.3 The committee shall also review the work of the group’s external auditors and the internal auditors to ensure the adequacy and effectiveness of the group’s financial, operating, compliance and risk management controls.
- 2.4 The committee shall also review the management of risk and the monitoring of compliance effectiveness within the group in conjunction with the risk committee.
- 2.5 In addition to the above, the committee shall perform all the functions required in law to be performed by an audit committee including as required by section 94(7) of the Companies Act.

3. MEMBERSHIP/QUORUM

- 3.1 The members of the committee shall be appointed annually by shareholders as required by the Companies Act, on recommendation by the board, and membership shall consist of not less than three members who are independent non-executive directors.
- 3.2 In the event of a vacancy arising, the board shall fill such vacancy within 40 (forty) business days from the date on which the vacancy arose, as required by the Companies Act. For clarification purposes, it is confirmed that in the event of

the committee comprising of more than 3 (three) members, the board need not fill a vacancy on condition that there are at all times at least 3 (three) members, unless the board resolves otherwise.

- 3.3 The members of the committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following:
- Financial and sustainability reporting;
 - Internal financial controls;
 - External audit process;
 - Internal audit process;
 - Corporate law;
 - Sustainability issues;
 - Information technology governance; and
 - Corporate governance controls within the Company.
- 3.4 The board shall appoint a chairman from the independent non-executive directors on the committee and determine the period for which he or she shall hold office. The chairman of the board is not eligible to be the chairman of the committee.
- 3.5 A quorum for decisions of the committee shall be a majority of members present throughout the meeting either in person or via telephone or video conference facilities.
- 3.6 The company secretary shall act as committee secretary.

4. MEETINGS

4.1 Attendance

- The chief executive officer, chief financial officer, senior audit partner(s) in charge of external audit and head of internal audit shall be in attendance at meetings of the committee and shall have unrestricted access to the chairman or any other member of the committee as is required in relation to any matter falling within the remit of the committee. Other board members may also attend at the invitation of the chairman of the committee.
- Suitably qualified persons may be invited to attend meetings of the committee when necessary to render such specialist services as may be necessary to assist the committee in its deliberations on any particular matter.
- No invited attendee shall have a vote at the meetings of the committee.
- Members and/or invited attendees of the committee may participate in and act at any meeting of the committee by means of telephone or video conference or other communication equipment provided that all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person by the person(s) so participating.

4.2 Frequency of meetings

- The committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference
- Meetings shall be held not less than four times a year. The board or any member thereof, including members of the committee, may, in consultation with the chairman of the committee, call a meeting at any other time.
- Quarterly meetings shall be scheduled in advance as part of the annual corporate calendar of the Company. In addition, ad hoc meetings may be called as and when required with reasonable notice, to the extent possible.
- The committee shall meet, at least annually, with the external auditors without management and with or without other board members, as the committee may elect. Likewise the committee should meet at least annually with the head of internal audit and members of his/her team without the external auditor, management or the chief financial officer being present.

4.3 Agendas

The committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agenda of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference. The number, timing and length of meetings and the agendas are to be determined in accordance with the annual work plan.

5. PROCEEDINGS

- 5.1 Unless varied by these terms of reference, the Company's Memorandum of Incorporation, regulating the meetings and proceedings of directors and committees, will govern meetings and proceedings of the committee.
- 5.2 The committee secretary shall take minutes of meetings. The minutes shall record the issues, the salient features pertaining to the issues and the decisions of the committee. The minutes will be formally approved by the committee at its next scheduled meeting. Signed minutes shall be made available to all board members for noting.
- 5.3 The secretary of the committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute these accordingly.
- 5.4 The chairman of the committee shall report on the committee's proceedings and findings to the next meeting of the board.

6. REMUNERATION

- 6.1 Non-executive members of the committee shall be paid such special remuneration in respect of their appointment as shall be recommended by the board and approved by shareholders.

- 6.2 The above fees shall be subject to review by the board from time to time on recommendation from the Human Resources, Remuneration and Nomination Committee.

7. DUTIES

The duties of the committee shall be:

7.1 Integrated Reporting

- (a) To have regard to all factors and risks that may impact on the integrity of the integrated report, significant judgments and reporting decisions made, monitoring and or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward looking statements or information.
- (b) To review and monitor the integrity of the group's interim and annual financial statements and any other formal announcements relating to the Company's financial performance before submission to the board.
- (c) To discuss and resolve any significant problems or reservations arising from the interim and final audits and any matters the auditors wish to discuss.
- (d) To review measures to enhance the credibility and objectivity of the financial statements.
- (e) To report its views to the board where, following its review, the committee is not satisfied with any aspect of the proposed financial reporting by the group.
- (f) To review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.
- (g) Consider the need for independent assurance on sustainability in the integrated report.
- (h) Receive and deal with any internal or external complaint relating to either accounting practices or internal audit of the Company or to the content or auditing of the financial statements or to any related matter.

7.2 External Audit

- (a) To nominate the external auditor annually for appointment, re-appointment and removal to the shareholders at the annual general meeting.
- (b) Approve the terms of engagement and remuneration of external auditors.
- (c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- (d) To develop, implement and monitor a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit

firm(s) and to pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company;

- (e) To discuss with the external auditors before the audit commences and, as necessary, following the audit, the nature and scope of the audit.
- (f) The committee should review the audit representation letters before signature by management and give particular consideration to matters where representation has been requested that relate to non-standard issues.
- (g) The committee should assess the effectiveness of the audit process at the end of the annual audit cycle.
- (h) To ensure co-ordination and co-operation between the external and internal auditors.
- (i) To ensure co-ordination where more than one audit firm is involved.
- (j) To ensure that there is a process for the committee to be informed of any reportable Irregularities (as identified in the Auditing Professions Act, 2005) identified and reported by the external auditor.
- (k) To consider whether the external auditor should perform assurance procedures on interim results and make a recommendation to the board in this respect.

7.3 Internal Audit

- (a) To monitor and review the effectiveness of the group's internal audit function annually.
- (b) To consider the internal audit opinion on internal controls.
- (c) To review the internal audit charter.
- (d) To review and approve the annual internal audit plan, ensuring that material risk areas are included and that the coverage of business processes is acceptable.
- (e) To ensure that the internal audit function is adequately and appropriately resourced and has the appropriate authority and status within the group, and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- (f) To review and discuss with the head of internal audit the scope of work of the internal audit function, the issues identified as a result of its work and management's responsiveness to internal audit's findings and recommendations.
- (g) To monitor and assess the role and effectiveness of the internal audit function in the overall context of the group's risk management system.
- (h) To consider the appointment, resignation or dismissal of the head of internal audit.

- (i) To ensure co-ordination and cooperation between internal audit and the risk management and compliance functions.

7.4 CFO and Finance function

- (a) To annually satisfy itself of the appropriateness of the expertise and experience of the chief financial officer and to confirm this in the integrated report as prescribed by the JSE Listings Requirements.
- (b) To annually review the expertise, resources and experience of the finance function as recommended by King III.
- (c) To review the adequacy of the systems of internal financial control in operation in the Company and its subsidiaries.

7.5 Combined assurance

The committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the committee should:

- (a) Ensure that the combined assurance received is appropriate to address all the significant risks facing the group; and
- (b) Monitor the relationship between the external assurance providers and the group.

7.6 Governance

- (a) Together with external and internal audit, to review developments in corporate governance and best practice and consider their impact and implication for group processes and structures.
- (b) To consider the disclosure about the role of the committee to be included in the integrated report.
- (c) Annually to review and, if appropriate, update the committee's own terms of reference, subject to board approval for all changes.
- (d) To evaluate the performance of the committee by way of an annual self-evaluation as part of the board's review of the committee's performance and effectiveness.
- (e) To consider any legal matters that could have significant impact on the Company's financial statements.
- (f) To review and report to the board on the Company's compliance with the King III Code of Governance Principles and the JSE Listings Requirements.
- (g) To consider the report of the chairman of the risk committee on matters relating to risks to risks and related controls which have been dealt with by that committee in terms of its mandate.

- (h) To review and oversee risk areas of the group's operations to be covered in the scope of internal and external audits including internal financial controls, fraud and IT risks as they relate to financial reporting risks.

7.7 Ethics

In view of the committee's responsibility to monitor the maintenance of internal controls, the committee will:

- (a) Monitor compliance to the Anglo American Business Integrity Policy and Performance Standards as set by the holding company from time to time.
- (b) Receive and review regular reports from the ethics committee established by management, including reports on fraud and any whistle-blowing activities.
- (c) Report to the Social and Ethics Committee on any material issues regarding the management of ethics throughout the Group.

8. AUTHORITY

- 8.1 The committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this terms of reference. In respect of the statutory duties of the committee as set out in section 94 of the Companies Act, the committee will be accountable to shareholders and report to shareholders as provided for in the Companies Act. In respect of all other duties as contained in these terms of reference, the committee will be accountable and report to the board.
- 8.2 The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the group and all employees are directed to co-operate with any request made by the committee. Such requests will be channelled through the Company's chief executive officer.
- 8.3 The committee is authorised by the board to obtain outside legal, accounting or other independent professional advice as it considers necessary to carry out its duties and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It may also, if deemed necessary by the chairman, meet with the external auditors or the internal auditors without any executive member of the board in attendance.
- 8.4 The chairman (or, in his or her absence, an alternate member) of the committee shall attend the annual general meeting to answer questions concerning matters falling within the ambit of the committee.
- 8.5 Subject to the above provisions and any relevant legislation, the members of the committee shall not attract any personal liability arising from their appointment.
- 8.6 The Company shall indemnify members of the committee to the extent possible in terms of its approved liability insurance coverage.

APPROVED BY THE BOARD ON 27 NOVEMBER 2013

CHAIRMAN OF THE BOARD