

KUMBA IRON ORE LIMITED

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

RISK COMMITTEE

("the committee")

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 In line with the recommendations of 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 committee of the board to be known as the Risk Committee (“the committee”).
- 1.1 Neither the appointment nor the duties of the committee reduce the functions and duties of the board or the directors of the Company.
- 1.2 These terms of reference are subject to the provisions of the Companies Act No 71 of 2008, as amended, the Memorandum of Incorporation of the Company and all applicable law and regulation.

2. PURPOSE

- 2.1 The committee aims to identify new opportunities and identify, understand, mitigate and manage risks. The company operates a risk management framework which integrates risk management into the core business strategy and functions. Risk management is not limited solely to risks that may adversely affect the company's ability to achieve its objectives, but also deals with identifying and seizing new opportunities.
- 2.2 The board is responsible for the governance of risk and through the committee demonstrates leadership in guiding the efforts aimed at meeting risk management expectations and requirements.
- 2.3 The committee will have an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval. The committee will not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 2.4 The committee shall fulfill its purpose and duties in respect of the Company and its subsidiaries (“the Group”).
- 2.5 The main purpose of the committee is to:
 - ensure the effectiveness, quality, integrity and reliability of the Group's risk management processes;
 - monitor, develop, and communicate the processes for managing risks across the Group and to implement an effective policy and plan for risk management; and
 - ensure the disclosure regarding risk is comprehensive, timely and relevant.

3. MEMBERSHIP/QUORUM

- 3.1 The committee will comprise of a minimum of three non-executive directors, the majority of whom shall be independent. Members of this committee will be appointed by the board and may also include executive directors and/or relevant members of management as may be deemed appropriate by the board in consultation with the chief executive director.

- 3.2 The members of the committee shall have a working knowledge of risk assessment methodology and the enterprise wide risk matrix of the Group. The committee as a whole must have sufficient qualifications and experience to fulfill their duties.
- 3.3 Provision shall be made for an induction programme and suitable training for all members of the committee.
- 3.4 The board shall appoint a chairman from the independent directors on the committee and determine the period for which he shall hold office.
- 3.5 In the absence of the chairman of the committee and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 3.6 Appointments to the committee will be made by the board on the recommendation of the human resources, remuneration and nomination committee.
- 3.7 The board shall from time to time review and revise the composition of the committee, taking into account the need for an adequate combination of skills and knowledge.
- 3.8 Notwithstanding the above, the board shall have the power at any time to remove any members from the committee and to fill any vacancies so created.
- 3.9 A quorum for decisions of the committee shall be a majority of non-executive members present throughout the meeting either in person or via telephone or video conference facilities.
- 3.10 The company secretary shall act as committee secretary.

4. MEETINGS

4.1 Attendance

- The chief financial officer, senior external audit partner(s), risk manager, head of internal audit and other relevant members of management as identified by the chief executive officer in consultation with the chairman of the committee 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.

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 the 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 fixed by the shareholders on recommendation from the board.
- 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. RESPONSIBILITIES

The duties of the committee shall be to:

7.1 Risk governance

- 7.1.1 Oversee the development and annual review of a policy and plan for risk management to be recommended for approval to the board.
- 7.1.2 Review and assess the effectiveness of the integrated risk management system and ensure that the risk policies and strategies are appropriately managed.
- 7.1.3 Set out the nature, role and responsibility of the risk management function within the Company.
- 7.1.4 Ensure that combined assurances received from external assurance providers are appropriate to address all significant risk facing the Group.
- 7.1.5 Review the adequacy of insurance cover.
- 7.1.6 Review reporting concerning risk management that is to be included in the annual integrated report for it being timely, comprehensive and relevant.
- 7.1.7 Review the monitoring of compliance with key service level agreement risks.
- 7.1.8 Ensure the periodic review of risk assessments, to determine the material risk to which the Group may be exposed and to evaluate the strategy for managing those risks.
- 7.1.9 Keep abreast of significant changes to the risk management and control system and to ensure the risk profile and common understanding is updated as appropriate.
- 7.1.10 Liaise closely with the audit committee to exchange information relevant to risks.
- 7.1.11 Express the committee's formal opinion to the board on the effectiveness of the system and process of risk management.

7.2 Governance of Information Technology (IT) risk

- 7.2.1 Ensure on behalf of the board that IT risks are adequately addressed. As part of this, the committee will review the IT governance charter and framework for appropriateness and applicability.
- 7.2.2 Ensure that the IT internal control framework is adopted and implemented and that the board receives independent assurance on effectiveness thereof where deemed appropriate.
- 7.2.3 Ensure that there are processes in place to ensure complete, timely, relevant, accurate and accessible IT reporting in the annual integrated report.

7.3 Compliance with laws, rules, codes and standards

- 7.3.1 Ensure on behalf of the board that compliance risks are adequately addressed.
- 7.3.2 Obtain assurance that an effective compliance framework and process is in place to address compliance risks.

- 7.3.3 Ensure that compliance risks forms part of the Company's risk management process.
- 7.3.4 Report to the board any instances of material non-compliance or repeated non material non-compliance.
- 7.3.5 Review the annual competition compliance assurance letter to assess competition legislation risk.

8. AUTHORITY AND GOVERNANCE

- 8.1 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 channeled through the Company's chief executive officer.
- 8.2 The committee is authorised by the board to, at the company's expense, 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.
- 8.3 The chairman (or, in his 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.
- 8.4 Subject to the above provisions and any relevant legislation, the members of the committee shall not attract any personal liability arising from their appointment.
- 8.5 The Company shall indemnify members of the committee to the extent possible in terms of its approved liability insurance coverage.
- 8.6 The committee shall annually review and, if appropriate, update its own terms of reference, subject to board approval for all changes.
- 8.7 The committee shall review and report to the board on its operating effectiveness and performance at least annually.

APPROVED BY THE BOARD ON 27 NOVEMBER 2013

CHAIRMAN OF THE BOARD