



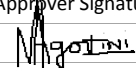
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# Risk and Insurance Management Specification for Contractors

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## Commercial

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## 1 Introduction

### 1.1 Overview

Roy Hill is a \$10 billion, 55 million tonne per annum (Mtpa) iron ore mining pit, rail and port project in Western Australia's Pilbara region.

Situated approximately 115 kilometres north of Newman, Roy Hill is a world-class, low phosphorus, Marra Mamba iron ore deposit located in the Pilbara – one of the world's premier iron ore provinces – and the only independent iron ore project with West Australian majority ownership.

Our Operations consists of a:

- Conventional open pit, bulk mining operation from multiple production benches;
- 55Mtpa wet processing plant;
- 344 kilometre single line, heavy haul railway; and
- A purpose built, dedicated two berth iron ore port facility at Port Hedland, capable of receiving, stockpiling, screening and exporting 55Mtpa (wet) of direct shipped iron ore as lump and fines.

Roy Hill has a defined mineralisation of more than 2.2 billion tonnes of +50% Fe iron ore of which 1.2bt is +55% Fe, enough to sustain a mine life of more than 17 years

Roy Hill loaded its first shipment of ore for export on 10 December 2015 and has since loaded multiple shipments to its key markets in China, Korea, Japan and Taiwan.

### 1.2 Purpose

This document provides specifications for use by the Contractor in developing, implementing and maintaining an effective risk management and insurance process for Roy Hill. It includes requirements for the preparation of the Contractor's risk management plan, supporting documentation, assurance and reporting.

Risk is defined as the effect of uncertainty on objectives. In the context of this Guideline, risk is understood as, "an uncertain event or set of circumstances that, should it occur, will have an effect on the achievement of the project's objectives". The management of risk will encompass both threats and opportunities with the objective of minimising losses and maximising gains.

The risk management process shall comprise of identification, analysis, evaluation, treatment, monitoring review and communication of risk. This process shall be applied throughout the entire project lifecycle.

### 1.3 General Requirements

In addition to the requirements of the Contract, the Principal has the right, but not the obligation, to monitor and appraise the Contractor's risk and insurance management process and results thereof for overall compliance with the Contract. The Contractor shall provide all information as requested by the Principal to support its appraisal of the Contractor's performance of risk and insurance management, including the performance of all subcontractors.

The Principal also has the right, but not the obligation, to review all procedures and other such documents that are requested in this guideline. The submission of the Contractor's risk management plan shall include all procedures and supporting documents that are requested in this specification.

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## 2 Risk Management Plan Development

The Contractor shall prepare and submit for the Principal's review and acceptance, a detailed Risk Management Plan (RMP). The RMP is to be consistent with current leading practice for risk management and processes as described in the document entitled International Standard ISO 31000:2009 Risk Management - Principles and Guidelines.

The Contractor's RMP shall be reviewed by the Contractor's senior management and approved by the Contractor's project director or equivalent.

Any revisions to the RMP are to be submitted to the Principal for review and acceptance prior to its use and implementation on the project.

This document provides detailed guidance to the Contractor regarding the risk management requirements on the project. The contractor must also refer to the Health, Safety, Emergency and Security Management Performance Standard OP-STD-00195.

### 2.1 Risk Management Plan Content

The RMP shall describe how the Contractor intends to meet the risk management requirements of the project work and include as a minimum the following sections.

#### 2.1.1 Scope and Objectives

The RMP shall encompass the Contractor's full scope of work with areas and categories of risk relating to its defined scope.

The objectives of the Contractor's RMP shall be clearly stated and defined within the RMP.

#### 2.1.2 Structure and Responsibilities

The Contractor shall describe the organisational structure designed to enable effective implementation and maintenance of the RMP for the project with roles and responsibilities well defined in relation to risk management.

It is expected that the Contractor will employ a dedicated resource (e.g. risk manager and or risk coordinator) to ensure effective implementation and maintenance of the RMP for the duration of the project.

#### 2.1.3 Risk Criteria

Criteria and risk matrices used by the Contractor to assess and evaluate identified risk shall form part of the RMP. The Contractor shall ensure that the matrices and criteria are applied in a consistent manner across the project.

#### 2.1.4 Risk Management Process

The RMP shall provide an overview of the Contractor's approach to the risk management process. Elements to be described in the RMP are as follows.

- Risk scope and context.
- Risk identification.
- Risk analysis.
- Risk treatment.
- Risk evaluation.

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- Communication and consultation.
- Monitor and review.

### 2.2 Risk Workshops

Risk workshops shall be undertaken to identify and assess risk. Risk workshops shall be facilitated by a person who:

- Has appropriate experience and skill in risk management and group facilitation; and
- Understands the Contactor's scope and project objectives.

The Contractor is responsible for ensuring that risk workshops are effectively facilitated and that outcomes are documented appropriately in the risk register.

### 2.3 Risk Register

A risk register is to be established and maintained by the Contractor for the project and shall be available for review by the Principal. The risk register shall include sufficient detail to describe the basis for the risk rating and proposed mitigation actions and plans.

Appendix A provides a sample risk register.

### 2.4 Risk Management Performance and Reporting

Metrics for the measurement of risk management performance and frequency of evaluation will be defined within the RMP. Metrics should include the following.

- Total number of risks.
- Total number of risks for area / category.
- Number of new risks.
- Number of risks reduced.
- Number of risks closed or materialised.
- Total number of open actions.
- Number of risk responses (action plans) closed out.
- Number of risk responses (action plans) overdue.

As a minimum, monthly risk monitoring, review and reporting will be undertaken by the Contractor to ensure that key risks are effectively mitigated and that risk responses /actions plans are being addressed. Risk information is to be clearly communicated and escalated to relevant personnel with this process and accountabilities described within the RMP.

### 2.5 Subcontractor's Compliance

The Contractor's RMP shall include provisions for assessing the risk management compliance of its subcontractors.

The Contractor shall be responsible for ensuring that any work executed by subcontractors complies with the requirements of this guideline. The Contractor will conduct audits to ensure compliance and provide the Principal with copies of any audit results including details of any corrective actions and non-compliances.

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## 3 Insurance

Before commencing any work, the Contractor shall effect and maintain all insurance policies required by the Contract as well as ensure that every subcontractor maintains corresponding insurance policies for the same duration as in the Contract for each corresponding insurance policy.

### 3.1 Proof of Insurance

Certificates of currency, policy wording and claims history are to be provided to the Principal as requested.

### 3.2 Claims Management

The Contractor as soon as practicable will inform the Principal of any occurrence that may give rise to a claim and keep the Principal informed of subsequent developments concerning the claim.

A documented claims process is to be developed and a claims register established by the Contractor, to support effective claims management.

All claims procedures, documentation and registers shall be retained by the Contractor for auditing purposes by the Principal.

## 4 Assurance and Reporting

The Contractor shall prepare and submit a RMP for Principal review and acceptance as described in this guideline.

### 4.1 Roy Hill Audits

From time to time, the Principal shall conduct independent audits on the Contractor's risk and insurance management process and control effectiveness.

The Principal shall provide 10 days advance notice to the Contractor of the proposed audit.

In the conduct of any audit by the Principal, the Contractor shall:

- actively cooperate with the Principal in the conduct of the audit and attend all audit related meetings, provide all necessary information, documents and personnel to assist the audit taking place;
- take prompt action to correct any non-conformance or non-compliance identified by the Principal; and
- advise the Principal in writing when an identified non-conformance or non-compliance has been corrected.

### 4.2 Roy Hill Participation in Risk Assessments

An effective risk management process will continuously seek to identify significant project risks and opportunities and assess the potential impact against project objectives.

The Principal has the right, but not the obligation, to participate in any risk workshops undertaken on the project. As such the Contractor shall give reasonable notice and invite the Principal to participate in all risk workshops.

### 4.3 The Principal Reporting Requirements

The Contractor will forward to the Principal a monthly risk report that provides the following:

- A summary of key risks and mitigations;
- Identification of any emerging risks and trends;

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- Risk management performance metrics; and
- Copy of the risk and insurance claims registers.

## 5 Definitions and Abbreviations

### 5.1 Definitions

Unless stated otherwise, references to “section” in this guideline are a reference to the sections in this guideline.

Unless stated otherwise, references to “Appendix” in this guideline are a reference to the appendices to this guideline.

The following definitions shall apply to this document:

Term	Definition
Contract	the agreement between the Principal and the Contractor
Contractor	the person bound to carry out and complete WUC
Control	a process, policy, device, practice or other action that acts to minimise negative risk or enhance positive opportunities
Guidelines	the documents listed in the table in section 3 entitled Table 3-1: Project Guidelines
Hazard	a source of potential harm or a situation with a potential to cause loss
Principal	Roy Hill Holdings (Pty) Ltd or its subsidiaries
Project	the Roy Hill iron ore project
Risk Register	the register setting out the results of risk assessments, including identified risks, current controls, mitigating actions, residual risk severity, responsibilities and target dates for actions
Risk Management Plan	the risk management activities that will be undertaken by the Contractor including purpose, scope, process, responsibilities and extent of technical risk studies (quantitative studies)
Temporary works	work used in carrying out and completing WUC, but not forming part of the works
The Works	the whole of the work to be carried out and completed in accordance with the Contract, including variations provided for by the Contract, which by the Contract is to be handed over to the Principal
Work	includes the provision of materials
WUC	the work which the Contractor is or may be required to carry out and complete under the Contract and includes variations, remedial work, construction plant and temporary works

Table 1 – Definitions

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### 5.2 Abbreviations

The following acronyms and abbreviations have been used in this report.

Term	Definition
DSO	Direct Ship Ore
Mtpa	Million tonnes per annum
RMP	Risk Management Plan
WUC	Work under the contract

Table 2 – Abbreviations

## 6 Reference Documents

The following guideline documents set out the mandatory requirements for the project. The Contractor shall not deviate from these guidelines without written approval from the Principal.

Document Number	Document Title
OP-STD-00195	Health, Safety, Emergency and Security Management Performance Standard

Table 3 – Project Guidelines

Document Number	Document Title
ISO31000:2009	International Standard: Risk Management Principles and Guidelines

Table 4 – Other Reference Documents

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### Appendix 1 – Risk Register Sample

Risk No	Function	Risk Event	Causes	Impacts	MFL	Controls	Control Effectiveness	Residual Severity	Likelihood	RRR	Comments/Actions
1	The function of the business area e.g. Finance, Operations, commercial, HR	What could go wrong?	What are the causes of the risk event?	What is the impact to the business? e.g. Financial, Health or Safety, Environment Reputation, Regulatory or Legal	Maximum Foreseeable Loss (MFL) Worst plausible impact without any controls in place	List the controls do we have in place to either (1) prevent the risk from occurring or (2) mitigating the impact if the risk occurs?	Are the Controls Effective and working as designed and intended? Or Ineffective	Worst plausible impact with controls in place	Probability the risk event will occur with the assessed Residual Severity	Residual Risk Rating	
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