



# TERMS OF REFERENCE HUMAN RESOURCES & COMPENSATION COMMITTEE

APRIL 2017

## PURPOSE AND CORE RESPONSIBILITIES

The Human Resources & Compensation Committee ('the Committee') is a sub-committee established by the Orca Limited Board created to assist the Board in the effective discharge of its responsibilities in relation to the matters set out in these Terms of Reference.

In meeting its responsibilities, the Committee will report to the Board and take reasonable steps in its oversight of the following key areas:

- human resources strategy and policy;
- remuneration framework:
  - executive & non-executive compensation, and
  - executive performance;
- development and succession; and
- external reporting on remuneration matters.

Note – 'Executive' is defined as the Managing Director & Chief Executive Officer and members of the Executive Committee.

## STRATEGY AND POLICY

The Committee will review and report to the Board on:

- the human resources matters that may have strategic, business and reputational implications for Orca; and
- the effects of developments in legislation relevant to human resources.

In discharging its responsibilities with respect to strategy and policy, the Committee will review and recommend to the Board:

- the human resources strategy aligned to the Group-wide 5-year Business Plan; and
- any human resources policies that are applicable at a Group-wide level or amendments to such policies.

## REMUNERATION FRAMEWORK

In discharging its responsibilities with respect to compensation, the Committee will:

- periodically review and recommend to the Board approval of the Executive Remuneration Framework, including incentive plans and associated rules;
- periodically review and recommend to the Board approval of the compensation framework for the Chairman and Non-Executive Directors;
- If required, approve the appointment, removal and compensation for an external remuneration consultant who will provide advice directly to the Committee;
- receive briefings on compensation trends and developments;
- recommend to the Board the maximum number of rights for Executive Directors under any Executive Incentive Plan as required for the Annual Notice of Meeting; and
- ratify the allocation of Orica securities.

### Executive compensation

The Committee will review and recommend to the Board proposed changes in compensation for Executives, including both the fixed and 'at risk' components.

The Committee will be advised of any major changes to compensation resulting from statutory changes that will have a material cost or risk implication to the business e.g., application of superannuation legislation and/or application of approved Orica policy.

### Non-executive compensation

The Committee will review and report to the Board on the remuneration framework for the Chairman and Non-Executive Directors in relation to periodic benchmarking and market developments and recommend any changes in compensation.

### Executive performance

The Committee will, through consideration of the reports provided by management and with feedback from other Committees, review and recommend to the Board:

- approval of the key performance indicators (KPIs) and targets for inclusion in scorecards for Executives.
- approval of outcomes against scorecard KPIs.

## EXECUTIVE DEVELOPMENT AND SUCCESSION

The Committee will review and report to the Board on the adequacy of the:

- process for development and succession planning to enable the Group-wide 5-year Business Plan;
- progress towards the identification and development of capable candidates for Executive and senior management positions; and
- progress towards the development of capable internal candidates for the Managing Director & Chief Executive Officer position (with the Nominations Committee having responsibility for the identification of such candidates).

## EXTERNAL REPORTING

The Committee will review and recommend to the Board for approval:

- the Remuneration Report to be incorporated in Orica's Annual Report to shareholders;
- the diversity section of Orica's Corporate Governance Statement;
- the people metrics in the Sustainability Scorecard to be incorporated in Orica's Sustainability Report; and
- the disclosures in respect of remuneration matters as required under the ASX listing rules and the Corporations Act.

## REVIEW

Each year the Committee will review its performance against the Terms of Reference and agree the annual objectives and work plan for the year ahead.

The Committee's Terms of Reference shall be reviewed at least biennially and updated as required.

## AUTHORITY

In carrying out its duties, the Committee has the authority to discuss directly with management, internal auditors or experts any issue within its remit and to request reports, explanations and information of any of the activities or procedures of the Orica Group.

The Committee is authorised by the Board to obtain outside legal or other professional advice if it considers this necessary.

## MEMBERSHIP

The Committee will consist of not less than three Non-Executive Directors. The Chair and a majority of Committee members will be independent Directors.

The Company Secretary or a delegate shall act as the Committee Secretary.

A standing invitation to the Committee will be extended to all Non-Executive Directors, and subject to the nature of the matters being discussed, to:

- the Managing Director & Chief Executive Officer; and
- Group Executive Human Resources

The Committee may invite any other individuals to attend meetings of the Committee as it considers appropriate.

## MEETINGS

The Committee will meet at least four times annually or more frequently as required. The Chairman or the Company Secretary may call a meeting and two Non-Executive Directors shall constitute a quorum.

The Chairman of the Committee will provide a report to the Board following each Committee meeting.

Committee members may hold a closed session in the absence of management.

**Approved by:  
Human Resources & Compensation Committee  
Orica Limited Board  
April 2017**

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