

TERMS OF REFERENCE | MAY 2019

BOARD AUDIT & RISK COMMITTEE

PURPOSE AND CORE RESPONSIBILITIES

The Board Audit & Risk Committee (**BARC**) ('the Committee') is a sub-committee established by the Orica 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 responsibility, the Committee will report to the Board and take reasonable steps in its oversight of the following key areas:

- integrity of financial statements and reporting;
- financial and non-financial risk management and internal controls;
- internal and external audit;
- compliance; and
- performance of the Group risk and audit functions.

FINANCIAL STATEMENTS AND REPORTING

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

- the draft annual and half yearly financial statements prepared by the Orica Group for release to the Australian Securities Exchange (**ASX**);
- the draft Annual Report as it relates to the financial statements; and
- the process to verify any periodic corporate reports Orica releases to the market.

In discharging its responsibilities, the Committee will:

- verify that a system and financial controls are in place to safeguard the integrity of the financial reports;
- review and endorse judgements made by management that have a material impact on the financial statements as they relate to changes and interpretations of accounting policy and standards;
- review the financial statements with management and the External Auditor prior to Board submission for approval; and
- review and verify the adequacy of the process to support the certifications provided by the Managing Director and Chief Executive Officer and the Chief Financial Officer.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee will review and report to the Board on:

- the adequacy and effectiveness of the Orica Group's framework, methodologies and systems of risk management to identify and manage material risks in light of any risk appetite set by the Board, and verify an appropriate system of internal controls (with the Safety, Health, Environment and Community (**SHEC**) Committee having responsibility to review the adequacy of the SHES Management System and management of material SHEC risks identified using that framework);
- the adequacy of the Orica Group's insurance program applicable at a Group-wide level;

- any material incident involving fraud or a breakdown of the Orica Group’s risk controls and the “lessons learned”;
- its annual review of the Risk Management Framework, and whether the Committee is satisfied that it continues to be sound and that Orica is operating with due regard to any risk appetite set by the Board; and
- any changes that should be made to Orica’s risk management framework or to any risk appetite set by the Board.

In discharging its responsibilities, the Committee will receive regular risk reports detailing material sources of financial and non-financial risk and the internal controls and mitigating strategies and actions that management has put in place to deal with those risks.

INTERNAL AND EXTERNAL AUDIT

The Committee will review and:

- recommend to the Board the appointment, termination and remuneration of the External Auditor who will report to the Committee; and
- endorse the appointment and / or termination of the Vice President Risk & Assurance.

In discharging its responsibilities, the Committee will:

- review the independence and performance of the External Auditors, including the approval of non-audit engagements with a value greater than that defined by the Audit Services Procedure from time to time;
- review and endorse the scope and adequacy of the external audit plan;
- review and understand the outcomes of the external audit plan, highlighting any material issues arising from the audit to the Board;
- review and endorse the scope and adequacy of the internal audit plan, including financial and operational matters (with the Safety, Health, Environment and Community Committee having responsibility for the internal audit plan relating to SHEC matters);
- review and understand the outcomes of the internal audit plan, highlighting any material issues arising from the audit to the Board; and
- monitor the effectiveness of the internal audit plan to test that appropriate internal controls are in place to mitigate financial and non-financial (including operational) risk.

COMPLIANCE

The Committee will review and report to the Board on:

- the adequacy of the processes and systems in place across the Orica Group to ensure legal and regulatory compliance;
- the effectiveness of the processes and systems in place for detecting, reporting and preventing inappropriate business conduct including any material breaches of the Business Code of Conduct and material incidents reported under the Whistleblower Policy; and
- the endorsement and recommendation of any policies within its remit that are applicable at a Group-wide level or amendments to such policies to the Board for approval.

PERFORMANCE

The Committee will review the annual performance of the risk and internal audit functions and provide feedback to management. This includes the independence and objectivity of the internal audit function.

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, 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 members, all of whom are Non-Executive Directors. The Chair and a majority of Committee members will be independent Directors. The Chairman of the Board shall not be the Chairman of the Board Audit and Risk Committee. Members between them must have accounting and/or financial expertise and sufficient understanding of the industry in which Orica operates.

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 and Chief Executive Officer;
- Chief Financial Officer;
- Vice President Risk & Assurance;
- Vice President Group Finance;
- the Internal Auditor; and
- the External Auditor

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.

The Committee will also consider whether any material matters arising out of the Committee meeting should be advised to any other Committee. In particular, the Committee will advise the Human Resources & Compensation Committee of any matters that it considers relevant to variable remuneration outcomes for the Managing Director and Chief Executive Officer or other executives.

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

**Approved by
Orica Limited Board
May 2019**

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