

# ORICA'S APPROACH TO MANAGING RISK

In alignment with the breadth and complexity of Orica's business, we have a diverse portfolio of risk which we manage within the risk appetite and risk tolerance limits approved by the Board.

Managing our portfolio of risk proactively and in line with our Risk Management Framework supports informed decision making across our business operations and directs:

- The safety and wellbeing of our people, the environment, and the communities we operate in;
- Achieving our purpose of making our customers successful, every day, all around the world, thereby generating sustainable long-term returns to our shareholders;
- Maintaining our licence to operate and compliance with applicable laws and standards; and
- Our behaviours in accordance with our Code of Business Conduct.

## RISK MANAGEMENT FRAMEWORK

Orica's Risk Management Framework, aligned with better practice requirements, will continue to be embedded across the business, to ensure that our responses to risk remain current and pro-active. Orica has adopted the Three Lines Model as an enabler of the Risk Management Framework.

The implementation of the Risk Management Framework is supported by defined expected management behaviours and is monitored through the Board-approved risk appetite settings, risk tolerance limits and reporting to the Board; Board Audit and Risk Committee (BARC); Innovation and Technology Committee; Human Resources and Compensation Committee; Safety, Health, Environment, Community & Security (SHECS) Committee; and the Executive Committee.

## EXPECTED BEHAVIOURS

Orica's leadership is committed to upholding risk management as an element central to all its activities and as a core management competency. Identifying, assessing and managing our risks is everyone's responsibility. We expect everyone to abide by the following behaviours:

- Risk management is integrated into how we do business - it is part of our operating rhythm and integrated into our operations and day to day decision making;
- We collaborate and share knowledge, so we consider diverse views to identify, assess and manage risks;
- We take accountability for communicating and reporting on risks and incidents quickly and openly;
- We seek to improve the responses and controls by which we manage our risks; and
- We learn from incidents and near misses to share learnings from these across the business.

### ROLES AND RESPONSIBILITIES

#### The Board and Board Committees

The Board is accountable for setting Orica's risk appetite and tolerance limits; satisfying itself that a strong risk management culture is embedded across Orica and that we have in place a sound framework for managing risk which allows us to identify, assess and manage our risks; and that we understand those material risks which may have an impact on the achievement of our strategy.

The BARC assists the Board in discharging its risk management accountabilities and has been delegated the accountability for:

- Overseeing the implementation of Orica's Risk Management Framework;
- Monitoring the overall performance against the Board-approved risk appetite settings and tolerance limits; and
- Monitoring the material risks which may impact the operations of our business.

The SHECS Committee assists the Board in discharging its accountabilities specifically in relation to overseeing the management of our safety, health, environment, community and security-related risks and incidents; and enabling compliance with related legal and regulatory requirements.

The Innovation and Technology Committee provides oversight of material technology, cyber and innovation risks.

The Human Resources and Compensation Committee provides oversight of people risks and alignment of remuneration to risk frameworks.

#### The First Line

The First Line has primary ownership and responsibility for identifying, assessing, managing, and communicating risks.

The Executive Committee is accountable for making sure the Risk Management Framework is implemented across the Group particularly within the scope of responsibility of their operations, and that sufficient and capable resources are dedicated to its implementation. It also has accountability to oversee that all risks impacting the achievement of Orica's business objectives are identified, assessed, managed and reported on an ongoing basis.

Management are accountable for demonstrating visible risk leadership and instilling a strong risk management culture, including making sure that risks are regularly discussed as part of planning and performance reviews, and decision-making forums; that ownership for risks, controls and mitigations are assigned and maintained; and that risk management responsibilities are incorporated into business performance measures.

#### The Second Line

The Group Risk & Assurance Function (Group Risk) facilitates risk management practices through risk standards, systems and processes for identifying and managing the risks material to achieving Orica's business objectives. Group Risk coaches and challenges the First Line whilst working with other risk disciplines to support the embedment of risk management across Orica, and to make sure there is coverage, consistency and alignment in risk management standards. Through its activities, Group Risk supports the business, Orica leaders and the Board by bringing expertise and oversight to provide assurance that risks are effectively managed.

### **The Third Line**

The Internal Audit Function provides independent and objective assurance aligned to Orica's strategy, and independently assesses the effectiveness of risk management and governance. Internal Audit operates to provide various stakeholders, including the Board through the BARC, and the Executive Committee, with assurance that key internal controls and business processes are designed and operating effectively and efficiently. The Vice President Risk & Assurance reports functionally to the BARC and administratively to the Chief Financial Officer and manages the Company's internal audit program.

**Approved by  
Orica Limited Board  
December 2020**

**Orica is a leading manufacturer and supplier of explosives. This Policy applies to all Orica Directors, employees, contractors and activities.**

---

© Orica Group. All rights reserved. All information contained in this document is provided for informational purposes only and is subject to change without notice. Since the Orica Group cannot anticipate or control the conditions under which this information and its products may be used, each user should review the information in the specific context of the intended application. To the maximum extent permitted by law, the Orica Group specifically disclaims all warranties express or implied in law, including accuracy, non-infringement, and implied warranties of merchantability or fitness for a particular purpose. The Orica Group specifically disclaims, and will not be responsible for, any liability or damages resulting from the use or reliance upon the information in this document. The word Orica and the Ring device are trademarks of the Orica Group. Orica Limited ABN 24 004 145 868