



# **AUDIT AND RISK COMMITTEE CHARTER**

This Charter has been approved by the  
Board of Iluka Resources Limited (12 December 2017)

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## **1 Introduction**

- 1.1 The Board of Directors (“Board”) of Iluka Resources Limited (“the Company”) has established an Audit and Risk Committee (“the Committee”).
- 1.2 This Charter sets out the specific responsibilities delegated by the Board to the Committee and the Committee’s objectives, authority, responsibilities, composition and operation.

## **2 Overall Purpose**

- 2.1 The overall purpose of the Committee is to protect the interests of Iluka shareholders and other stakeholders by overseeing, on behalf of the Board:
- (a) the integrity of financial reporting (including the adequacy of financial risk management controls);
  - (b) the accounting and reporting practices;
  - (c) the adequacy of the processes for identifying and managing risk generally;
  - (d) the internal audit function;
  - (e) the external audit function;
  - (f) the insurance framework;
  - (g) treasury and capital management practices;
  - (h) taxation practices; and
  - (i) compliance with applicable legal and regulatory requirements and internal codes of conduct, as requested by the Board.
- 2.2 The Committee will assist the Board by making appropriate recommendations. The Committee does not make decisions on behalf of the Board unless such authority in respect of any matter is expressly delegated by the Board.

## **3 Membership**

- 3.1 The Committee must consist of:
- (a) only non-executive directors;
  - (b) a minimum of 3 members;
  - (c) a majority of independent directors; and
  - (d) an independent director as Chairman, who is not Chairman of the Board.

- 3.2 All Committee members will be financially literate and the members between them must have accounting and financial expertise, operational or technical knowledge and a sufficient understanding of the industry in which the Company operates to be able to discharge the Committee's mandate effectively. At least one member should have relevant formal qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters).
- 3.3 Members and the Chairman of the Committee will be appointed by the Board.
- 3.4 The Committee Chairman shall:
- (a) be knowledgeable of Iluka's business and financial and auditing processes;
  - (b) oversee planning and conduct of Committee meetings including approval of agendas and minutes;
  - (c) oversee written and verbal reporting to the Board on key matters arising from the Committee; and
  - (d) be involved in the selection of Committee members.

## **4 Responsibilities**

### 4.1 Accounting and reporting

The Committee shall assist the Board in fulfilling its responsibilities relating to accounting and reporting practices by:

- (a) reviewing compliance with Accounting Standards, Financial Reporting Standards, Stock Exchange requirements and other legal requirements;
- (b) reviewing the position taken by management on significant transactions and accounting issues and/or any unusual or highly judgemental matters;
- (c) monitoring the effectiveness of the accounting and internal control systems;
- (d) reviewing and assessing the appropriateness of the process and determination used by management in preparing the annual Ore Reserves and Mineral Resources Statement;
- (e) reviewing half year and full year Financial Statements and making the necessary recommendations to the Board;
- (f) considering capital management matters, including proposed dividends, prior to consideration and approval by the Board;
- (g) ensuring that there are no material unresolved issues between management and the external auditors; and
- (h) reviewing other financial information distributed externally as required.

## 4.2 External audit

The Committee shall oversee the external audit function. This oversight will include:

- (a) reviewing the performance of the external auditor;
- (b) making recommendations to the Board regarding the continuation or termination of the external auditors' engagement and/or any material revision to the terms of the engagement;
- (c) evaluating the independence of the external auditor and ensuring that the provision of non-audit services by the external auditor does not adversely impact independence;
- (d) reviewing the appropriateness of the audit approach, scope and methodology (to ascertain the extent to which it can be relied upon to detect weaknesses in internal controls or non-compliance with legal requirements);
- (e) reviewing the results of the auditor's work with particular emphasis on unresolved or unadjusted issues between auditors and management;
- (f) providing a direct line of communication between the external auditor and the Board which is independent of management;
- (g) reviewing all reports to the Board and Committee by the external auditors; and
- (h) approval of fees.

## 4.3 Internal audit

The Committee shall oversee the internal audit function. This oversight will include:

- (a) reviewing the performance of the internal auditor and the approval of the annual internal audit plan;
- (b) reviewing significant internal audit findings and action taken by management to address these; and
- (c) facilitating a direct line of communication from the risk manager and internal audit function which is independent of management.

## 4.4 Internal controls

As requested by the Board, the Committee shall review the processes and internal controls that management have put in place to ensure compliance with laws, regulations and internal codes of conduct.

## 4.5 Other key financial processes

The Committee will review other key financial processes in particular the tax and treasury operations, to ensure prudent management practices are in place.

## 4.6 Risk management

The Committee shall assist the Board with regard to oversight of the Company's risk management practices by:

- (a) developing an understanding of key risk areas and the consequences of major risk events;
- (b) gaining assurance as to the adequacy of the Company's policies and processes for integrating risk management into its operations;
- (c) reviewing and making recommendations to the Board in relation to any incident involving fraud or other break down of the Company's internal controls;
- (d) reviewing and reporting to the Board that the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk; and
- (e) reviewing the insurance strategy and determining the extent to which it aligns with the risk tolerance of the Company.

## 5 Meeting Arrangements

- 5.1 It is intended that the Committee will meet at least 3 times a year. Meetings may be requested by any member of the Committee.
- 5.2 A quorum for the Committee meetings is 2 members.
- 5.3 The Managing Director and Chief Financial Officer will be present for the entirety of all meetings except where the Committee Chairman consents or requests otherwise. The Chairman may invite other senior management to attend meetings as appropriate.
- 5.4 The risk manager and external auditor will attend meetings at the invitation of the Chairman. The Chairman may invite other advisors, consultants or experts as appropriate.
- 5.5 The Committee will regularly meet with the external auditor, and the risk manager without management present.
- 5.6 Directors who are not members of the Committee have a standing invitation to attend Committee meetings.

## **6 Secretarial**

The Company Secretary or designate shall be the secretary of the Committee and will be responsible for the minutes of meetings.

## **7 Reporting Mechanism to the Board**

The Committee Chairman will report to the Board after each Committee meeting and will make recommendations to the Board as appropriate.

## **8 Access to Information and Independent Advice**

8.1 The Committee is to have access to adequate internal and external resources. The Committee has the authority to obtain information, interview management, the risk manager and internal and external auditors (with or without management present), and all employees must comply with such requests from the Committee.

8.2 The Committee may seek the advice of the Company's auditors, solicitors or other independent advisors as to any matter pertaining to the powers, duties or responsibilities of the Committee as required.

## **9 Reliance**

Committee members are entitled to rely on employees of the Company or professional advisers or consultants engaged by the Committee or the Company where:

- (a) there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
- (b) the reliance was made in good faith and after making an independent assessment of the information.

## **10 Review Process**

10.1 The composition and annual agenda for the Committee will be reviewed at least annually, and the Charter at least every two years, to determine their adequacy for current circumstances. Any changes to the Charter will require approval of the Board.

10.2 The Committee will undertake a formal process of self-assessment on at least an annual basis. The results of this assessment will be communicated to the Board in order to assist the Board in its periodic review of the Committee's effectiveness.