

Promising shoots, but growth yet to eventuate.

Company/ASX Code	Orica / ORI
AGM time and date	10.30am AEST Wednesday, 13 December 2023
Location	Ballroom, Park Hyatt Melbourne, 1 Parliament Place, East Melbourne, VIC
Registry	Link Market Services
Type of meeting	AGM
Monitor	Adam Raymond
Pre-AGM Meeting	Yes with Chair Malcolm Broomhead

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2.1	Re-election of Malcolm Broomhead to the board	For
2.2	Re-election of John Beevers to the board	For
2.3	Election of Mark Garrett to the board	For
2.4	Election of Vanessa Guthrie to the board	For
3	Adoption of Remuneration Report	For
4	Grant of performance rights for Mr Sanjeev Gandhi	For
5	Advisory vote on 2023 Climate Action Report	For

2. Summary of Issues and Voting Intentions for AGM

- Scope 3 target announced for 2035.
- Dramatic increase in NPAT, but a much smaller increase in UPAT
- Introduction of advisory vote on 2023 Climate

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	295.7	60	(173.8)	82.3	245.1
UPAT (\$m)	369.0	317.0	208.4	299.1	371.9
Share price (\$)	\$15.59	\$13.22	\$13.79	\$15.43	\$22.54
Dividend (cents)	43.0	35	24.0	33.0	55.0
Simple TSR (%)	21.1	(14.94)	(9)	(30)	36
EPS (cents)	65.1	14.5	(42.7)	20.8	64.5
CEO total remuneration, actual (\$m)	4.76	3.04	1.4	6.2	4.7

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Governance and culture

A fatality free year and a low serious injury rate show that Orica has had success in retaining a safety focus, significant in their industry.

Key events

The purchase of Axis has been completed, but there are after tax costs still being incurred around the finalisation of the deal and will be into the new financial year. The company has been rolled into the digitisation division which has had a jump in revenue and EBITDA. As this is the major focus of growth for the business this is key. It is not yet a dominant part of the companies income, but will have to become so to grow the company effectively.

The business was mostly successful during the Financial Year (FY) – volumes largely tracking sideways, but revenue increasing as Orica was able to use the high inflationary environment worldwide to extend their margins, while dropping gas prices kept the cost of their major inputs stable.

As announced to the ASX, Orica and CF Industries have entered legal action against each other over the clauses in the guaranteed supply contract CF Industries has with Orica. At present, this should not interfere with the execution of the agreement and the legal action is likely to go for some time.

Key board or senior management changes

Orica is engaging in a process of board renewal with Maxine Brenner and Boon Sawn Foo being replaced with Mark Garrett and Dr Vanessa Guthrie. The new members are aimed at updating the skills matrix of the board, adding to the economics and sustainability skills to the board.

Sustainability/ESG

The big news here is the announcement of a target of 25% reduction in Scope 3 emissions by 2035. Most of the companies Scope 3 emissions (and indeed emissions in general as scope 3 dominate Orica's climate gas contributions) are from suppliers, particular in the purchase of Ammonia Nitrate (AN), so this will require working with suppliers. These are hard to abate emissions that will require big changes (e.g. the supply of cost effective green hydrogen) to achieve, so the statement of a target is a good result.

On a related note, Orica continues to reduce their exposure to the thermal coal business and continues to expand into forward facing metals such as the production of copper and nickel. This has also been included in the latest update to the Long Term Incentive (LTI) for the Key Management Personnel (KMP).

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

In the previous FY there was a significant capital raising, but no further raisings during FY23.

4. Rationale for Voting Intentions

Resolution 2.1 Re-election of Malcolm Broomhead to the board (for)

First elected to the board in 2015, the end of this term will take Mr Broomhead to 11 years on the board. His stated intention is to use this term for succession planning for the Chair position. During his tenure as chair board positions have been regularly replaced, allowing an evolution in the board composition rather than any dramatic step change. The board has also covered what is a significant evolution for a heavy industrial company, introducing technological development and significant implementation of climate change mitigation in Orica's processes. This track record allows us to support his re-election.

Resolution 2.2 Re-election of John Beevers to the board (for)

Mr Beevers joined the board in 2020 and is the chair of the safety and sustainability committee, both areas that Orica has improved in during the past 3 years. Also was the Chief Executive Officer of Groundprobe, a key technology component of Orica's technology push. This background and success allows the ASA to support his re-election.

Resolution 2.3 Election of Mark Garrett to the board (for/against)

Inducted by the board in January of this year, Mr Garrett has a background in economics and senior positions in different chemical manufacturers (Borealis AG, Marquard & Bahls AG, etc.). This is appropriate experience for the Orica board. ASA is satisfied to follow the lead of the board and support his election.

Resolution 2.4 Election of Vanessa Guthrie to the board (for/against)

Dr Guthrie has extensive contacts with a wide range of organisations, including formally hold the position of Chair of the Minerals Council of Australia. With a doctorate in Sustainability and wide contacts in many institutions she should be in a good position to provide input to the direction of Orica into the future.

Resolution 3 Adoption of Remuneration Report (for/against)

The only alteration from last year's executive incentives is the introduction of a goal for the Long Term Incentive. This incentive will have a 20% weighting, reducing the Return On Net Assets (RONA) and relative Total Shareholder Return (rTSR) to 40% each from this FY onwards. The new incentive is based on:

- Increasing exposure to key emerging markets
- Accelerating growth in Orica Digital Solutions and Mining Chemicals
- Moving towards a more progressive and sustainable commodity mix.

While there are quantitative measures for these goals, the values of these goals have been not been publicised to prevent the senior management focusing solely on the numbers rather than the qualitative goals. They will be published when the LTI vests at the end of FY26.

Resolution 4 Grant of performance rights for Mr Sanjeev Gandhi (for/against)

ASA has some reservations about this issue as there have been significant after tax significant items in the results, costing shareholders, but not affecting the RONA in the LTI. However, there has been some improvement in that number this year. As a result, ASA chooses to support this resolution.

Resolution 5 Advisory vote on 2023 Climate (for)

Orica has carefully planned out the impact of the Australian and Canadian rules around the production of climate effecting gases and remains safely exceeding the requirements for these rules. This allows for both a financial protection and an effective support for the social licence to operate. This gives a strong impression of under promising and over delivering. While the last mitigations will be the hardest, it is a solid start.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.51	19%	1.51	19%
Fixed equity ¹	0.3	4%	0.3	4%
STI - Cash	1.30	17%	1.31	17%
STI - Equity	1.30	17%	1.31	17%
LTI ²	3.4	43%	3.4	43%
Total	7.81	100.0%	7.83	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.

1: Connected to the employment contact as a one off.

2: The LTI targets are measured over 3 years. As the CEO only started in 2021, none of this payment has yet been subject to testing against those targets. This is an allocation only that will be paid if 100% of the target is achieved.