

Orica 2023 AGM report

ASX Code	ORI
Meeting Date	Wednesday, 13 December 2022
Type of meeting	Hybrid
Monitor	Adam Raymond
Pre AGM-meeting	with Chair Malcolm Broomhead

Number attendees at meeting	NA
Number of holdings represented by ASA	117
Value of proxies	\$5.6 million
Number of shares represented by ASA	350k (equivalent to 20th largest holder in Top 20 list)
Market capitalisation	\$7.2bn – on day of meeting
Were proxies voted?	Yes, in favour of all resolutions
Pre AGM Meeting?	Yes, with Mr Broomhead and Delphine Cassidy

Smaller write downs than previous years allowing a return to profit

Safety

While it is not in any of the reports, the Chair noted that there was a death of an Orica employee in traffic accident in India. It was not reported as it was after the end of the reporting period. Beyond that there were no fatalities during the reported period and a significant drop in the Serious Injury Case Rate (SICR), well exceeding the targets set by the board for Short Term Incentive (STI) payments to the Key Management Personnel (KMP). In addition, no environmental spills have been detected since 2018, with the loss of containment continuing to trend down following the trend of recent years.

Financials

The result was a solid one for the company producing the best NPAT in some years, 22% up on last financial year. Write downs continue to be by far the biggest factor in the bottom line. Exits from operations in Venezuela and Türkiye, combined with additional costs associated with the Axis purchase last year brought the total significant items of \$73 m. This was significantly lower than any of the past 5 Financial Years (FYs). Under the assumption Axis continues to perform well, there will be more significant items associated with that purchase in 2024 FY.

Most geographic segments achieved an increase in revenue, but that was beside a flat or slightly reduced volumes. This showed that Orica was able to increase their margins as a result of the inflationary environment.

The 100% increase in the revenue for the digital solutions segment of the business looks remarkable, but it includes the revenue added from Axis, so it is difficult to divide out how much came from the Axis business and how much as was revenue growth for the rest of the segment. As this is section of the business is the major growth factor for the business, this is a key element to watch. There is growth in all of the different components of the segment, so the growth is not only from Axis, but it is significantly less than the stated 100%.

Also see notes for the Environment for comments about the Carbon Border Adjustment Mechanism (CBAM). This is key to Orica's competitiveness in a global market.

Mr Ghandi, the CEO stated that the first 2 months results for the 2024 FY have been solid. He stated that this was expected to continue for the rest of the FY.

Board Composition

The next stage of board evolution has been undertaken, with the two of longest board members (Boon Swan Foo and Maxine Brenner) retiring and being replaced Mr Mark Garrett and Dr Vanessa Guthrie. In addition Gene Tilbrook has announced the date of his retirement, being February 2024.

The two new directors have extensive experience and impressive resumes such Dr Guthrie previously being a chair of the Minerals Council of Australia and Mr Garrett being the CEO of Austria's largest company OMV AG.

While Mr Broomhead was re-elected and will stay on as the Chair of the Board, he stated that he intends to use this 3 year tenure to allow the Board to select his replacement.

Mr Tilbrook will not be replaced as the addition of Dr Guthrie and Mr Garrett brings the board up to the intended on going number after Mr Tilbrook retires.

Environment

Orica has adopted 'Say on Climate' initiative which allows the shareholders to make a non-binding vote on Orica's response to the challenge of climate change. As seen below, Orica received a resounding support for their approach from shareholders.

As part of their approach to climate change, they are advocating for a CBAM within Australia to allow goods manufactured by Orica to compete with goods made in jurisdictions that don't have an effective carbon price. Linked to this, the \$54 million of capital spent on carbon abatement is producing a return in a threefold return:

1. To protect against the safeguard mechanism which applies penalties if a 4.9% reduction in Scope 1 and Scope 2 emissions is not met.
2. Generates carbon credits, which can be monetised.
3. Secures against future changes to rules surrounding the production of greenhouse gases.

The value of this return is difficult to quantify as the value of the carbon credits and the security against future changes is likely to change drastically if the impact of climate change flows onto implemented policy.

Other ESG

In response to a question from the audience, Mr Ghandi said that the same pay for the same job will have cost impact, but hasn't been quantified. He implied that this may lead to Orica spreading employment to other countries outside Australia to minimise the impact.

Result of the votes:

No	Resolution description	Voting Result
2.1	Re-election of Mr Malcolm Broomhead as a Director	94.6% for
2.2	Re-election of Mr John Beevers as a Director	94.7% for
2.3	Election of Mr Mark Garrett as a Director	99.8% for
2.4	Election of Dr Vanessa Guthrie as a Director	99.4% for
3	To adopt the Remuneration Report	95.1% for
4	Grant of performance rights for Mr Sanjeev Gandhi	99.3% for
5	Say on Climate	92.1% for

Chair had 627,014 shares he was voting for, which all were voted for on all resolutions.