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TECHNOLOGY DRIVING GROWTH

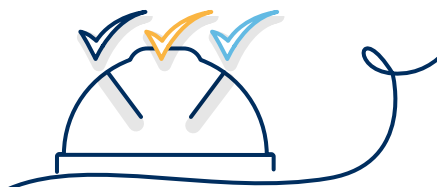


AT A GLANCE FY2020

SAFETY AND SECURITY REMAIN OUR PRIORITY, ALWAYS

29%

Reduction in Serious Injury Case Rate to 0.16 per 200,000 hours worked



11,500+

Key safety controls verified through the Major Hazard Management program

ZERO FATALITIES

For three consecutive years

WE ARE DELIVERING INNOVATIVE SOLUTIONS FOR OUR CUSTOMERS

21%

Increase in Net Promoter Score

1,000+

WebGen™ blasts with first adopter customers



FOUR AWARDS

For design and improvements to industry for our FRAGTrack™ automated rock-sizing measurement technology

WE ARE BUILDING A DIVERSE, INCLUSIVE AND INSPIRED TEAM



EIGHT POINT

Improvement in employee health score since 2018

25%

Women in senior leadership¹, achieving our 2020 target

48%

Ethnic and cultural diversity in senior leadership aligned to our revenue profile

FOUR AWARDS

For design and improvements to industry for our FRAGTrack™ automated rock-sizing measurement technology

ENVIRONMENT

ZERO

SIGNIFICANT ENVIRONMENTAL INCIDENTS



WE HAVE DELIVERED A STRONG FINANCIAL PERFORMANCE IN A CHALLENGING GLOBAL ENVIRONMENT

AN VOLUMES²

3.83Mt

(down 4% on the pc³)

Demonstrating resilience in a challenging year

UNDERLYING EBIT⁵

\$605M

(down 9% on the pc³)

A strong first half result followed by a focus on controllable factors to mitigate COVID-19 impacts in the second half

GEARING⁴

36.4%

(up 1.5 points on the pc³)

Within debt covenant and target range

DIVIDEND

33.0cps

45% payout ratio⁶

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WE ARE WORKING TOWARDS A DECARBONISED FUTURE



40%

New target to reduce operational Scope 1 and Scope 2 emissions by at least 40% by FY2030, from FY2019 levels⁷



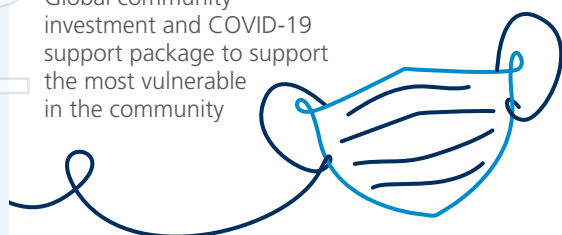
9%

Reduction in Scope 1 and Scope 2 greenhouse gas emissions

PROGRESSED IMPLEMENTATION OF OUR TCFD⁸ ROADMAP

WE ARE DRIVING SOCIAL IMPACT FOR COMMUNITIES

Global community investment and COVID-19 support package to support the most vulnerable in the community



\$3.2M

Distributed to communities globally

¹ Includes those acting in positions (less than 3 per cent).

² Includes ammonium nitrate (AN) prill and solution as well as emulsion products including bulk emulsion and packaged emulsion, excluding Exsa volumes of 98 thousand tonnes.

³ Prior corresponding period.

⁴ Net debt/(net debt + equity), where net debt excludes lease liabilities, as disclosed within Note 3 to the financial statements.

⁵ Equivalent to profit/(loss) before financing costs and income tax, as disclosed in Note 1(b) to the financial statements, before individually significant items.

⁶ Dividend amount/net profit after tax, before individually significant items.

⁷ Applies to existing operations. Base year emissions will be recalculated consistent with emissions accounting protocols if structural changes occur such as acquisitions or divestments.

⁸ Taskforce on Climate-related Financial Disclosures.

This report is part of our Annual Reporting Suite for the 2020 financial year (FY2020). You can find more information about how we performed in our Full Year Results Investor Presentation and Sustainability Report.

CHAIRMAN'S MESSAGE



Malcolm Broomhead
Chairman

2020 has been a uniquely challenging year, with the COVID-19 pandemic disrupting our operations and those of our customers all over the world. We are extremely proud of how our people around the globe responded by keeping health and safety their highest priority, while upholding their steadfast commitment to ensuring our operations run safely and deliver reliably for our customers.

Safety is our priority, always, and nothing is more important than keeping our people, customers and communities safe. We are proud to report that, once again, we had no fatalities and that our Serious Injury Case Rate declined by 29 per cent over the year, our lowest level in the past four years. In addition, we remained vigilant of the strain on physical and mental wellbeing on our people caused by the pandemic and provided support to teams right around the world.

STRONG PERFORMANCE UNDER DIFFICULT CIRCUMSTANCES

Before COVID-19 struck, we set ourselves an ambitious agenda, and I am pleased to report that we have delivered all the key initiatives that were in our control, including the strategic acquisition of Exsa in Peru, commencement of operations at the Burrup plant in Western Australia which has been producing good quality product, and the completion of the final phase of the SAP project.

Statutory net profit after tax was \$168 million, compared to \$245 million in FY2019 and underlying earnings before interest and tax were \$605 million, a decrease of nine per cent from the prior year. Given the circumstances, this is a strong performance, and our underlying business and growth trajectory remains positive.

CAPITAL MANAGEMENT

This year, we completed both an equity capital raising and a long-term US Private Placement bond issue which have further strengthened our capital structure and increased the average maturity of our debt facilities. The fact that both were oversubscribed reflects the resilience of the business and the market's strong confidence in our capital structure and strategy for growth. It was gratifying to receive such support from both our investor base and bond holders.

As a result, our strong balance sheet provides significant headroom against our debt covenants and is complemented by total liquidity of \$2.4 billion including both cash and undrawn committed bank facilities.

Our strong earnings result has enabled us to maintain a dividend, prudently reduced to reflect continuing operating environment uncertainty.

The final ordinary dividend of 16.5 cents per share unfranked, bringing the total

dividend to 33.0 cents per share, down 22.0 cents per share, reflects a payout ratio of 45 per cent of underlying earnings.

Gearing at 36.4 per cent remains within the company's target range of 30 to 40 per cent meaning we are well set to support our business goals and maximise financial performance.

BOARD RENEWAL

In October 2019, Lim Chee Onn retired after nine years of service to the Orica Board. We thank Chee Onn for his valuable contribution to the Board and to Orica's shareholders during his tenure. In February this year we welcomed the addition of John Beevers to the Board. Having worked for the company for 27 years, and then as CEO of GroundProbe for five and a half years prior to its acquisition by Orica, John knows our business intimately. His deep insights and operational expertise will be of tremendous value to the company as we enter our next phase of growth.

SUSTAINABILITY

This year we have worked hard to address the sustainability issues we have identified as being most material to our business, namely safety, environmental protection, product security, climate risk, diversity and ethical conduct.

29%**reduction in Serious
Injury Case Rate****33.0cps****full year dividend
45 per cent payout ratio**

We have been pleased with the progress we are making to reduce our impact on the environment, having met or exceeded several key targets. Our operational Scope 1 and Scope 2 greenhouse gas (GHG) emissions are nine per cent lower than last year. We have now also set an ambitious target of reducing operational (Scope 1 and Scope 2) GHG emissions by at least 40 per cent from FY2019 levels by FY2030¹, based on an achievable and credible pathway towards decarbonisation.

We see great opportunity in the world's move to a low carbon economy, not just in playing our part to help achieve global goals, but also in transforming our own company's operations and driving long-term sustainability.

We are also making good progress in our aim to make Orica an even more diverse and inclusive place to work, recognising that this will fuel innovation and creativity.

This year we achieved our target of 25 per cent female representation in senior leadership roles, while also increasing the representation of women in roles reporting directly to the Executive Committee to 30 per cent and maintaining 38 per cent female representation on our Board of Directors.

We are also focused on ensuring future generations of female leaders, with women making up half of the intake of this year's Enterprise Leadership Program.

Ethnic and cultural diversity remains strong, with 48 per cent of roles in senior leadership held by people who identify their nationality as other than Australian or New Zealander, which is aligned to Orica's revenue profile.

You can read full details of our progress in creating a more resilient business in line with our values, our commercial strategy and the expectations of our people and stakeholders in our 2020 Sustainability Report.

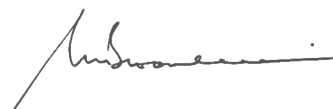
The Board has been particularly proud to see how our people have supported their local communities through the pandemic. In addition to providing funds and supplies for the most vulnerable in the community, we also adapted our manufacturing sites to produce hand sanitiser for local community organisations, repurposed the technologies on our trucks and hoses to provide sanitisation in outdoor communal areas, and worked with education partners to digitise learning programs to connect remote students.

STRATEGIC PRIORITIES

The Board has great confidence in Orica's strategy to become simpler and more efficient through standardisation and rationalisation, while at the same time driving adoption and monetisation of our cutting edge technology solutions and

pursuing growth opportunities where we see opportunity to deliver enduring value for our shareholders.

Our priorities will be to build upon the key successes of this year and, along with our high growth technology portfolio, capitalise on the opportunities that will come our way as the world returns to a more normal operating environment. The Board and I would like to thank the executive team and our colleagues right across the world for their remarkable efforts this year. Their hard work and commitment are deeply appreciated. We also thank our shareholders for their continued support and look forward to delivering even more long-term, sustainable value in the year ahead.



1. Applies to existing operations. Base year emissions will be recalculated consistent with emissions accounting protocols if structural changes occur such as acquisitions or divestments

MANAGING DIRECTOR'S MESSAGE



Alberto Calderon
Managing Director and CEO

This has been a year unlike any before. After a strong first half, the COVID-19 pandemic hit, and challenged us in ways we could never have foreseen. I have been so proud to see how our people reacted and adapted with resilience and unwavering commitment. Not only did we find new ways of working so we could continue to serve our customers, but our teams showed their compassion by going above and beyond the call of duty to help those in need in their local communities. The spirit of Orica has shone brightly this year.

As always, the safety of our people has been our number one priority and I am pleased to report that, once again, there have been no fatalities across the group. A year ago we introduced a new metric called Serious Injury Case Rate (SICR), which includes personal injury and illness incidents that result in an actual serious impact. I am delighted to say that our FY2020 SICR, at 0.16, was comfortably below our target of 0.18. There is always more work to be done in this area and we will be addressing our All Worker Recordable Case Rate which did fall short of the high standard we set ourselves.

While ensuring our people return home safely every day remains our top priority, this year we stepped up our focus on the overall health and wellbeing of our people.

Throughout the pandemic, we increased communication at all levels to teams working remotely, ensuring they felt connected, and provided online support seminars and programs.

Financially, the Group delivered underlying earnings before interest and tax (EBIT) of \$605 million, in line with market expectations. This is a strong result given the impact of COVID-19 in the second half, which resulted in a decrease in ammonium nitrate volumes and increased supply chain costs. The fundamentals of our business remain very strong and our growth drivers remain in place, ready to deliver as the market returns to normal.

ACHIEVING OUR GOALS DESPITE THE PANDEMIC

Operationally, while this has been a year of two very different operating periods, we have been able to minimise the impact of severe natural disasters and COVID-19, while successfully delivering all the planned strategic projects and continuing to build a strong platform for growth.

Our manufacturing and operations teams have had a very positive year under difficult circumstances. Controls were put in place and shift patterns changed to keep manufacturing plants running reliably through the pandemic. Overall Equipment Effectiveness has been consistently over 80 per cent across all our ammonium nitrate plants, and Yarwun achieved record annual production of cyanide.

This year we completed the major rebuild of our Burrup facility with production commencing in May. Since then, plant utilisation has remained high and customer feedback has been positive. The plant remains on track to achieve planned production levels.

The acquisition and integration of Peru's leading manufacturer and distributor of industrial explosives, Exsa, has gone extremely well. We have met important operational milestones and we are already realising benefits in line with the business case. This is a huge achievement by our teams in Latin America, especially as all the work had to be done remotely due to COVID-19.

We also completed the implementation of our new SAP enterprise management platform. Our teams worked hard to overcome some teething issues, but overall, the transition has run smoothly and without major disruption. This will be a game changer for Orica, giving us truly transformational operational insights and efficiencies.

9%

**reduction in
Scope 1 and Scope 2
GHG emissions**

~20%

**annualised cash return
on our SAP investment
by FY2023**

Although customer demand for our world-leading technology solutions remains strong, WebGen™ volume growth was hindered this year by COVID-19. However, despite the pandemic, we met our digital targets thanks to the innovative solutions our people created that enabled remote implementation. It has been very gratifying to receive industry recognition for our ground-breaking technological advances, in particular for FRAGTrack™ which took home multiple industry awards this year including winning the Engineering category at the Good Design Awards.

**Sustainability is a
key focus for all our
people and I am proud
of the way we are
finding solutions for
positive impact.**

I am pleased to report that we met or exceeded a number of our targets including reducing our Scope 1 and Scope 2 GHG emissions by nine per cent. We renewed our climate change commitments and while we reduced our total waste disposal by 12 per cent, potable water use increased slightly this year due to disruptions to recycled water at Kooragang Island. However, we are committed to increasing our use of recycled water, as reflected in our FY2021 targets.

Supporting us throughout this challenging period has been our robust balance sheet which was further strengthened by the successful capital raising and increased average maturity following the recent US Private Placement debt issue. This placed us in a strong position to navigate these

difficult times and sets us up to resume our growth trajectory as the global mining market emerges from the pandemic.

OUTLOOK

In the 2021 financial year we will progress our strategic agenda to be simpler, standardised and more efficient, while at the same time advancing our growth drivers.

We have three key efficiency programs – optimisation of our initiating systems network, which we expect to result in a substantial increase in utilisation from around 48 per cent currently to over 75 per cent by FY2023; realising the end-to-end benefits from embedding our single SAP system; and maintaining high manufacturing reliability, while leveraging the benefits of Burrup ramping up to full production, which we expect by FY2021.

In addition, we will continue our product rationalisation program, which is on track to decrease our stock keeping units (SKUs) by a further 40 per cent over the next three years. This will reduce complexity in manufacturing and supply, deliver reductions in raw materials and conversion costs, and lower levels of carried inventory. All this will enable us to improve utilisation rates and drive longer-term footprint decisions.

Our two key growth drivers will be realising \$50 million EBIT plus depreciation and amortisation expense (EBITDA) from our Exsa acquisition by the third full year of ownership, and driving continuous innovation and increased customer adoption of our technology offering, which we expect will deliver \$15 million incremental EBIT in the 2021 financial year.

Together, these initiatives will help us lift overall performance and build on our position as market leaders.

Our efforts so far have made us more responsive to our customers, quicker to adapt, safer than ever before, and we have realised significant value for our shareholders. We look forward to the coming year with a renewed commitment to safety and a determination to realise our goal to be simpler, smarter and more efficient.

I would like to thank our Board, my Executive Committee and all the great people of Orica for their support and commitment throughout a remarkable and uniquely challenging period. In particular, I commend our workers on the front line in our plants and operations around the world who kept going to work every day in the midst of the most challenging of times, keeping Orica running and helping keep the economies of the world open.

I look forward to our environment normalising so we can continue on our mission to make Orica an even greater company and deliver more value to our customers, shareholders and other stakeholders.

Neil. P. F.



OUR OPERATIONS

Our global network comprises manufacturing operations, technical and monitoring centres and support offices.

NORTH AMERICA

UNITED STATES



CANADA



MEXICO



LATIN AMERICA

CHILE



COLOMBIA



BRAZIL



PERU



ENGLAND



Major Operations

- ★ Head Office
- ☆ Regional Head Office
- Customer Presence
- ⚙️ Technical/Monitoring Centre

- Ammonium Nitrate
- Initiating Systems/Packaged Explosives
- Sodium Cyanide

We also have a network of joint ventures, ammonium nitrate emulsion plants and bulk depots strategically located to serve our customers around the world.

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EUROPE, MIDDLE EAST & AFRICA

- BULGARIA x1
- KAZAKHSTAN x1
- PORTUGAL x1
- RUSSIA x1
- SOUTH AFRICA x1
- SWEDEN
- UNITED ARAB EMIRATES x1
- ZAMBIA x1

SINGAPORE

AUSTRALIA PACIFIC & ASIA

- AUSTRALIA
 - gear icon
 - x1
 - x2
 - x3
- CHINA x2
- INDIA x1
- INDONESIA
 - gear icon
 - x1
- THE PHILIPPINES x1

+++++

+++++

WHO WE ARE

Every day, all around the world, our people help mobilise the vital resources that are essential to progress.

Our story began in 1874, when we first supplied explosives to the Victorian goldfields in Australia. Since then, we have grown to become the world's leader in blasting and productivity solutions.

We are a community of engineers, scientists, technologists, operators, business specialists and on-site crew all working together to support our customers in open cut mines, underground operations, quarrying, construction, and oil and gas projects.

From the production and supply of explosives and initiation systems, to our suite of cutting-edge digital solutions and comprehensive range of blasting services, we help extract and monitor resources safely, efficiently and responsibly.

Every employee plays a role in our success. By working together, we ignite new opportunities for each other, our customers, the communities where we work and our shareholders, while minimising our impact on the environment.

To meet the expectations of our stakeholders, we are reimagining the way we work. We continue to invest in our core solutions, while advancing the innovation of our new digital and automation technologies. This is helping us solve industry challenges and operate with precision in everything we do.

Our people are fundamental to our success and it's their diversity and expertise that makes the difference. Above all, we work as one team and are always guided by our values.

OUR VALUES



Safety is our priority. Always

The most important thing is that we all return home, safely, every day.



We respect and value all

Our care for each other, our customers, communities and the environment builds trusted relationships.



Together we succeed

Collaboration makes us better, individually and collectively.



We act with integrity

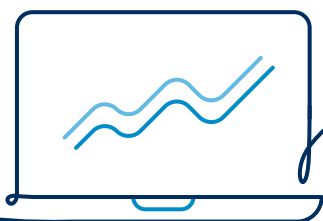
We are open and honest, and we do what is right.



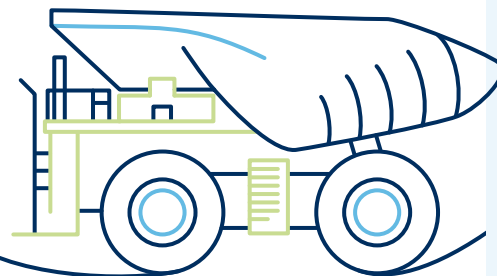
We are committed to excellence

We take accountability for our business and for delivering outstanding results.





**146 YEARS OF
EXPERIENCE AND
INNOVATION**



**CUSTOMERS
IN MORE THAN
100 COUNTRIES**



**LEADING
ASX INDUSTRIAL
COMPANY**



**13,000+
EMPLOYEES**



**#1 GLOBAL SUPPLIER
OF COMMERCIAL EXPLOSIVES**

OUR STRATEGY

By supporting the responsible production of resources that lift standards of living and drive economic growth around the world, we are helping ignite opportunities for our customers, our people and the communities where we work.

We principally do this by delivering explosives and initiating systems, together with a comprehensive portfolio of specialised solutions to customers in four distinct market segments.

WITH THESE PRODUCTS

Bulk explosives and cyanide
e.g. ammonium nitrate

Packaged explosives and initiating systems e.g. WebGen™

Digital, sensors, support and services e.g. BlastIQ™, GroundProbe monitoring systems



WE SERVICE THESE DISTINCT MARKET SEGMENTS

Standard open cut, mainly for coal and iron ore

Complex open cut, mainly for precious and base metals

Underground mining, mainly for hard metals – gold, copper and base metals

Quarry, construction, oil and gas

+ sales through indirect channels (such as joint venture partners and wholesalers)



BASED ON TWO PILLARS OF COMPETITIVE ADVANTAGE



SECURITY OF SUPPLY

Our global supply chain of manufacturing plants, supply alliances and joint ventures around the world ensures security of supply to our customers, no matter where they are.

With safety as our number one priority, we comply with stringent regulatory regimes across the globe, ensuring our product is stored and transported securely and always used as intended.



SUPERIOR CUSTOMER OUTCOMES

Our extensive experience and the expertise of our people around the world makes us the partner of choice to deliver superior outcomes.

Our commitment to deep customer relationships, in combination with our innovative product portfolio and specialised solutions, ensures we provide advanced, high quality outcomes.

We put our customers at the centre of everything we do. Around the world, our leaders are empowered to make decisions that will best support the success of their local customers, and in doing so, create enduring value for our shareholders.

GROWING SUSTAINABLY

We are in a unique position to leverage our expertise in technology to create safer and more responsible solutions for our customers and deliver positive economic, social and environmental contributions through our business activities.

SAFE AND RESPONSIBLE BUSINESS

From how we work with our suppliers and manufacture our products to how we deliver for our customers, we pride ourselves on ensuring we conduct business safely and responsibly to minimise environmental and social impacts.



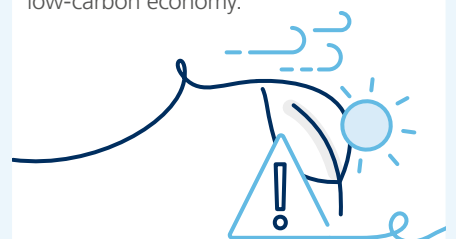
EMPOWERING SOCIAL PROGRESS

We create opportunities for progress by building capability and leadership within our workforce and driving social and economic impact in the regions in which we operate.



CLIMATE RESILIENT ECONOMIC GROWTH

We have a responsibility to protect the environment and recognise the potential for our solutions in transitioning towards a more resilient low-carbon economy.



Additional detail on our sustainability approach, performance and priorities can be found in our **2020 Sustainability Report**.

GROWING FROM ADVANTAGE

With a truly global footprint, we leverage the scale and efficiency that comes from being the world's leading supplier of commercial explosives and blasting systems to deliver sustained momentum in profitable growth.

ORGANIC GROWTH

We drive value by investing in our core capabilities, optimising our existing products and expanding our offering into new applications and commodities.



OUR STRATEGY IN ACTION

FRAGTRACK™

Uptake of our automated rock-sizing measurement technology, FRAGTrack™ continues to grow and deliver significant value to early adopter customers. The technology forms part of our digital optimisation platform and expands our role across the mining value chain. FRAGTrack™ was developed to enable blasting for optimal fragmentation to meet the needs of mines by contributing to and using data from the connected mine ecosystem.

Highlights in FY2020 include:

- securing installation at over 20 sites across six continents within 18 months of launch
- awards for innovative design and improvements to the industry:
 - Hunter Manufacturing Awards, Excellence in Innovation and Excellence in Product Design
 - Manufacturers' Monthly 2020 Endeavour Awards, Australia's Most Innovative Manufacturing Company
 - Manufacturers' Monthly 2020 Endeavour Awards, Best Industrial Internet of Things Application
 - Good Design Award Winner in the category of Engineering Design.

INORGANIC GROWTH

We continue to pursue mergers and acquisitions that support existing core markets, explore acquisitions in new or underserved regions, and acquire new technology to improve the capability of our integrated software solutions.



OUR STRATEGY IN ACTION

EXSA S.A.

In February 2020, we announced the acquisition of Peru's leading manufacturer and distributor of industrial explosives, Exsa. This was a highly strategic acquisition which:

- established Orica as the number one player in Peru, Latin America's highest growth market
- will transform our entire initiating systems footprint by utilising latent capacity at Exsa's new, state-of-the-art initiating systems manufacturing facility, to significantly increase production with the potential to serve demand across the Americas
- increases our exposure to copper and gold
- presents significant cross-selling opportunities to introduce our technology, products and services to Exsa's broad customer base.

OUR STAKEHOLDERS

We work to build positive relationships with all stakeholders through regular and meaningful engagement and open and transparent communication.

The needs, interests and concerns of our stakeholders are considered in our sustainability materiality assessment. This assessment ensures we understand our material risks and opportunities and continue to focus our efforts on meeting stakeholder expectations for our economic, environmental, social and governance performance.

Many of our major operations use formal stakeholder planning approaches that guide effective engagement. Stakeholder plans document the status of key stakeholder relationships, past and current issues, opportunities, and decisions around future engagement and community investment activities.

| Stakeholder | What issues are important to them | How we address these issues and create value for stakeholders |
|---|--|---|
| Employees and contractors | <ul style="list-style-type: none"> career and development opportunities safety, health and wellbeing performance management leadership diversity and inclusion | <ul style="list-style-type: none"> building distinctive leadership focused on developing trust and empowering their teams providing safe systems of work enabling continuous learning opportunities providing performance-driven rewards and advancement opportunities continuing to build an inclusive, diverse culture with a focus on growing our commercial and operational female talent pipeline |
| Customers | <ul style="list-style-type: none"> superior outcomes, particularly product performance and safety security of supply added value through product innovation and new technologies cost environmental, social and ethical sustainability of products and services throughout their lifecycle | <ul style="list-style-type: none"> leveraging investments in technology to deliver safer solutions to customers that enable them to improve productivity and efficiency working in partnership with customers to identify opportunities to improve sustainability outcomes improving environmental, social and governance (ESG) performance across our operations and supply chains to become a preferred supplier for sustainability and safety performance |
| Supplier and business partners | <ul style="list-style-type: none"> business resilience and continuity sustainable supply chain security of supply | <ul style="list-style-type: none"> providing ongoing opportunities for suppliers where possible to ensure stability and continuity supporting suppliers on an individual basis where COVID-19 has impacted their business providing clear guidance for suppliers on our requirements relating to safety and sustainability |
| Shareholders, equity and debt investors and analysts | <ul style="list-style-type: none"> company performance and delivery of strategic objectives corporate governance transparency and disclosure on non-financial performance action on climate change and diversifying from thermal coal commodity exposure human rights including modern slavery and rights of Indigenous Peoples | <ul style="list-style-type: none"> maximising return on investment and creating long-term value increasing disclosure and transparency of financial and non-financial performance delivering responses to manage impacts relating to our most material sustainability issues, particularly climate change |

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| Stakeholder | What issues are important to them | How we address these issues and create value for stakeholders |
|--|---|--|
| Local communities | <ul style="list-style-type: none"> product safety and security local operational impacts including water, air and noise economic opportunities including employment and procurement investment in communities ethical business conduct | <ul style="list-style-type: none"> continuing to foster innovation, research and development of technology to increase product safety and security engaging stakeholders on our robust safety approach to the management of ammonium nitrate (AN) storage, inventory and transportation supporting our communities impacted by crises including COVID-19 and extreme weather events increasing our financial contribution and developing a more targeted community investment approach |
| Government and regulators | <ul style="list-style-type: none"> regulatory compliance, good governance and business conduct socio-economic contribution community contribution and impacts innovation, research and development rights of Indigenous Peoples and cultural heritage management | <ul style="list-style-type: none"> complying with all relevant legislation and regulation across our operations globally exhibiting strong corporate governance processes and discipline actively engaging and participating with government and industry on policy matters providing insight to support evolving energy and climate policy frameworks, particularly in Australia fostering innovation, research and development that increases product safety and efficiency |
| Industry associations | <ul style="list-style-type: none"> industry-specific issues and strategy | <ul style="list-style-type: none"> engaging openly and transparently to identify opportunities for collaboration advocating responsibly and consistently in line with our policy commitments providing input into industry responses to government consultations |
| Non-government organisations (NGOs) | <ul style="list-style-type: none"> ethical business conduct ESG performance, particularly on climate change, broader environment and human rights | <ul style="list-style-type: none"> increasing ESG disclosures and transparency improving our approach and performance on material sustainability issues including climate change establishing emissions reduction targets aligned with the Paris Agreement |
| Research, university and technical institutions | <ul style="list-style-type: none"> innovation, research and development partnerships | <ul style="list-style-type: none"> continuing to collaborate with strategic partners toward shared commercial and sustainability goals |
| Media | <ul style="list-style-type: none"> company performance and delivery of strategic objectives industry-specific issues | <ul style="list-style-type: none"> timely reporting of company performance and progress of strategic goals taking a proactive approach to addressing issues facing the industry |

COVID-19 RESPONSE

As the first impacts of the COVID-19 pandemic were felt around the world, we moved quickly to ensure the safety and wellbeing of our people, provide business continuity for our customers, and support the communities in which we operate.

To co-ordinate our global response to the evolving business impact of COVID-19, we established a Corporate Crisis Response Team to manage country and region-specific responses in accordance with risk-based measures, local conditions and government regulations.

BUSINESS IMPACT OF COVID-19

The global mining industry has been deemed an essential service in most jurisdictions, including our largest markets of Australia and North America. However, with COVID-19 having a significant impact in developing countries, including Peru, Colombia, Mexico and Indonesia, customer activity was impacted and has been slower to recover. This resulted in ammonium nitrate (AN) volumes being around 15 per cent lower in the second half than we expected at the start of the financial year.

The global footprint of our business and supply chain has enabled us to maintain security of supply to our customers – reinforcing one of Orica's key competitive advantages. We implemented improvements to strengthen our Business Continuity Plans where necessary, and we were able to build on our relative competitive advantage by responding proactively to the challenges posed by the pandemic. Our own AN manufacturing plants continued to produce, however, additional supply chain costs were incurred to maintain security of supply.

On the ground, we are controlling what we can. This includes regular supply and demand planning reviews, active inventory and receivables management as well as reducing discretionary expenditure to the extent practicable and applying a vigilant lens to all proposed capital expenditure.

The strength of our balance sheet, which provides material headroom against our debt covenants, and total available liquidity of over \$2.4 billion means we are well positioned to withstand the ongoing financial impacts of the crisis across the business.



"We thank all our people for their continued commitment despite the COVID-19 related challenges. Our manufacturing and operational employees around the globe worked tirelessly to keep our operations running safely to continue to meet our customers' needs, while for many, homes became workplaces as teams adapted to new ways of working."

Alberto Calderon, CEO

SAFETY AND WELLBEING OF OUR PEOPLE

As always, the safety and wellbeing of our people has been our number one priority throughout the pandemic. We moved quickly to bring our remote workers home wherever possible, enabled those who could work from home to do so, and introduced new working arrangements and hygiene protocols for teams in critical frontline and manufacturing roles.

As more teams began working from home, we increased our communication at every level, including all staff messages, virtual town hall gatherings, webcasts and online team meetings.

Recognising the strain on physical and mental wellbeing, we provided online support seminars and programs. We created bespoke communication campaigns focused on wellbeing and encouraged colleagues to check in with

each other to ensure everyone felt supported and connected.

Before teams returned to their workplace, we reassured them of the work we have done to ensure their safety, with COVID-safe plans that went beyond the minimum health requirements.



MAINTAINING BUSINESS CONTINUITY

Maintaining business continuity by operating the business as normally as possible and ensuring security of supply for our customers has been one of our primary focus areas.

Our people have shown tremendous resilience and ingenuity, finding new ways of working to keep productivity high, while keeping safety front of mind at all times. Using our secure technology platform, teams were enabled to connect and collaborate, while augmented reality technology was used to provide virtual support to inaccessible remote sites.

To ensure supply continuity in the event of sourcing issues or a plant shutdown, our manufacturing teams quickly identified the key risks to production and introduced control measures to address each risk.

These ranged from separating shift teams from each other and external visitors, to increasing inventory levels of feedstock and finished products.

During FY2020, we recorded a 21 per cent improvement in our Net Promoter Score year-on-year. A key driver throughout COVID-19 has been customer recognition of our sustained and reliable service and supply, and that technology was applied for their benefit. This included complimentary software licences, learning webinars and remote installation support of equipment.



SUPPORTING COMMUNITIES WHERE WE WORK

As the devastating impact of COVID-19 continues to be felt around the world, our people have come together to support their local communities.



Our community initiatives are targeted to provide much needed protective equipment and food supplies, support and funds to first response teams and those who are most vulnerable within the communities where we operate.

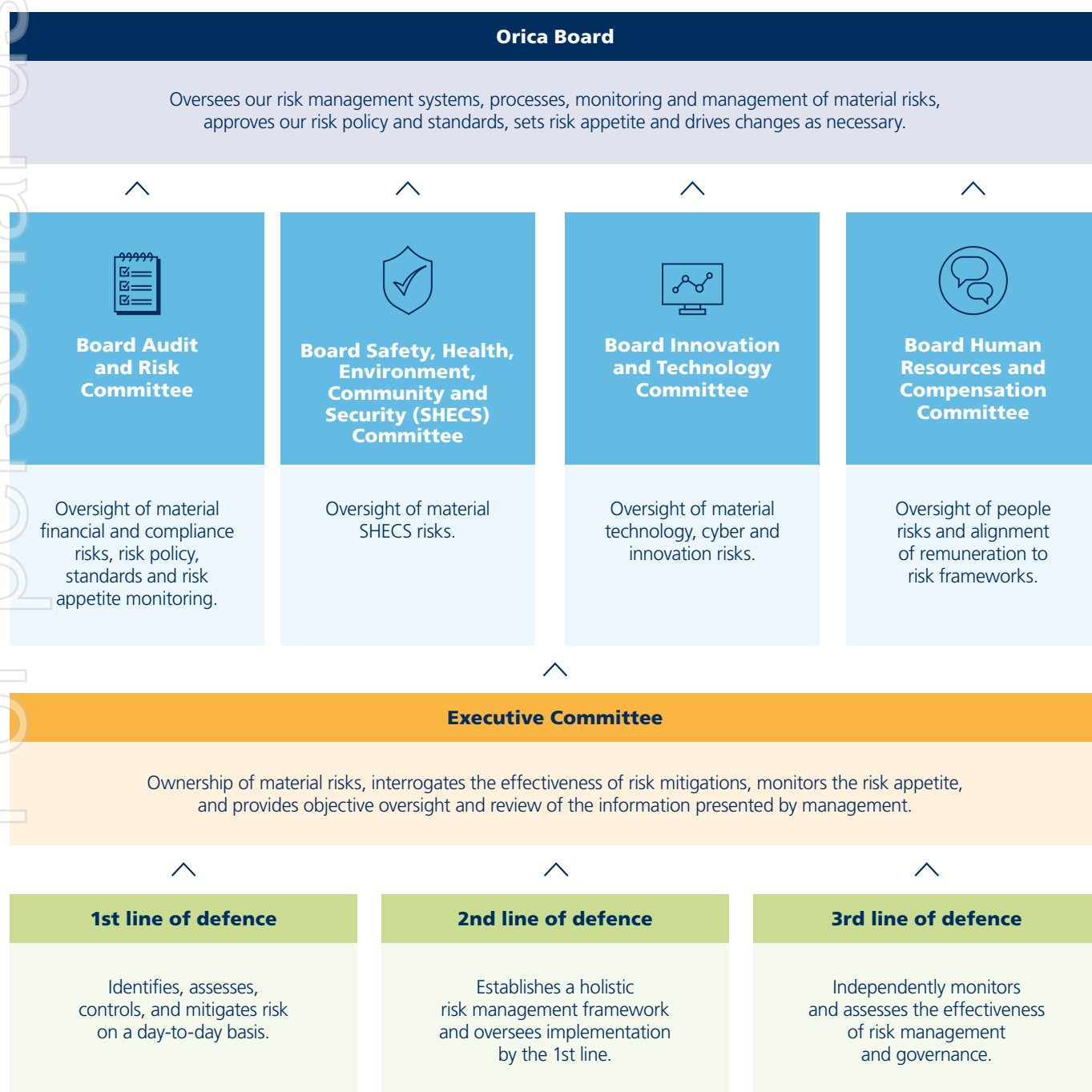
Thanks to the lateral thinking of our people, we also leveraged our manufacturing and digital expertise to produce hand sanitiser for community organisations and to digitise school programs for remote learning.

RISK MANAGEMENT

The nature of our business exposes us to risks that could impact our ability to deliver value to our stakeholders. We take a proactive, prudent approach to managing our material risks to ensure we continue to operate a safe, responsible and sustainable business. Recognising that the impacts can be positive, we also prioritise identifying and capitalising on opportunities to enhance stakeholder outcomes.

GOVERNANCE

Our risk governance structure defines relationships and clarifies the role of different teams across our business, where ultimate responsibility resides with our Board. Our risk governance structure is underpinned by our values which promote a culture of integrity across the business.



HOW WE MANAGE OUR RISKS

Effective risk management is essential for ensuring the safety of our people and the communities in which we operate, maintaining our licence to operate, and continuing to promote our stakeholders' interests.

We acknowledge that achieving our strategic objectives requires us to operate with a certain level of risk. Our overall risk management process aims to provide reasonable assurance that we have identified, and are effectively monitoring and managing our material risks.

Our risk management framework is aligned to the International Organization for Standardization's Risk Management Guideline, ISO 31000:2018 and facilitates the ongoing identification, assessment and communication of risks across the business.

EVOLVING RISK MANAGEMENT

As our business evolves, so do the risks and opportunities we face. We are committed to embedding best practice risk management processes and systems which allow us to continue to effectively anticipate

and manage our risks, as well as enable us to realise opportunities to generate sustainable growth.

Risk Appetite framework

Our Risk Appetite framework continued to develop during FY2020. The framework links our strategy to our management of risk by defining the risk appetite tolerance levels we are prepared to accept in pursuing our strategic objectives. It defines our approach for setting, monitoring, embedding and reviewing risk appetite across our business.

Our Risk Appetite serves to:

- set clear expectations and boundaries for business activities
- foster greater alignment between the Board and management to make more informed decisions
- promote a risk-intelligent culture which focuses on risk management rather than aversion
- instil strong risk monitoring and reporting capabilities.

Governance, Risk and Compliance system

Our extensive global footprint and complex business operations motivated the need to implement a risk technology solution which aids in facilitating, recording and reporting risk and control information. In FY2020 we made progress in implementing our SAP Governance, Risk and Compliance technology system which, once fully operational, will drive the relevance, consistency and standardisation of risk information across the business. The system is planned to go-live in the first half of FY2021.

AMMONIUM NITRATE

The risks associated with explosions at our ammonium nitrate (AN) storage facilities are managed as part of our material operational risk portfolio. Our Major Hazard Management control verification process provides us with assurance over the safe storage of AN.

Following the tragic explosion at Lebanon's Beirut Port on 4 August 2020, key control verifications were performed across all Orica sites that store AN. In performing these verifications no material or significant gaps were identified.



MATERIAL RISKS AND OPPORTUNITIES

The material risks we face have the potential to impact our business, brand and reputation, customer base, our people, assets, profitability, liquidity and the environment. In the table below, we explain how we are responding and realising the opportunities presented to deliver long-term stakeholder value. Risks are categorised into four high-level groups to support effective governance, oversight and management.

| Strategic | How we are responding | Developments in FY2020 |
|---|---|--|
| Macro-economic factors: commodity demand Uncertain economic growth outlook and material fluctuations in commodity demand, including reduced thermal coal demand. | We maintain a globally diverse portfolio of customers, serve different markets and monitor and analyse leading macro-economic indicators to inform business planning. | <ul style="list-style-type: none"> translated a commodity outlook into various macro-economic scenarios which were analysed and used to develop 'signposts' to monitor and predict the future state continued to focus on diversifying our thermal coal commodity exposure |
| Political and regulatory Uncertain geopolitical dynamics and regulatory reform settings. | We monitor geopolitical trends to identify and respond to known and potential unfavourable impacts to business operations such that demand is reduced, costs are increased or operations and the ability to trade are comprised. We regularly engage with key stakeholders to understand and mitigate potential impacts from regulatory reform as well as increased stakeholder scrutiny of our operational performance. | <ul style="list-style-type: none"> maintained a globally diversified supply chain with increased focus on second sources of supply for critical materials Board consideration of a strategic risk update on global political and regulatory developments including climate regulation and evolving stakeholder expectations regarding our licence to operate. Response planning is presented as part of the Board's strategy and planning considerations |
| Competitor and technology disruption Dynamic competitor environment and accelerated technology adoption by our customers. | We continue to invest in our core and existing products as well as new applications to enhance safety and productivity outcomes. | <ul style="list-style-type: none"> the investment in core products has been demonstrated through strategic growth opportunities including our Exsa acquisition. Refer to page 11 our focus on technology development has resulted in our organisation receiving multiple recognitions for our fragmentation measurement technology FRAGTrack™. Refer to page 11 |
| OPPORTUNITY: Our strategy is underpinned by our ability to generate superior customer outcomes. Advancing technology presents a significant opportunity for us to strengthen our competitive point of difference. | >> We invest in research and development and have five technology centres of innovation around the world that focus on leveraging opportunities. We also partner with world-leading research, education and technical institutes to continue to deliver world-leading customer solutions. | |
| Climate change Managing the risks presented by changes in the climate as well as risks arising from policy, regulatory, legal, technological or market responses to climate change. | We are taking action to support the transition to a low-carbon economy by: <ul style="list-style-type: none"> embedding climate matters in our strategic decision-making accelerating decarbonisation catalysing climate action. | <ul style="list-style-type: none"> reduced global GHG emissions (Scope 1, 2 and 3) by 9.8 per cent from FY2019 levels Board consideration of an update on climate change, our long-term manufacturing strategy and decarbonisation opportunities established new climate change targets and updated our Climate Change Policy renewed our set of macroeconomic scenarios incorporating a range of global warming futures leveraged our scenarios to inform an assessment of climate risks and opportunities across the enterprise assigned decarbonisation measures to the relevant executive remuneration incentive scorecard disclosed climate information with reference to the recommendations of the Financial Stability Board Taskforce on Climate-related Financial Disclosures (TCFD) inclusion of sustainability into our investment committee process for capital allocation |
| OPPORTUNITY: We have a fundamental role to play in protecting the environment and recognise the customer and commercial opportunities our solutions create towards a resilient and sustainable low-carbon economy. | >> Climate change considerations are being integrated into our governance, risk management, strategic and financial planning processes. We continue to reduce greenhouse gas (GHG) emissions and renewed our commitments to reduce operational Scope 1 and Scope 2 GHG emissions by at least 40 per cent, from FY2019 levels by FY2030 ¹ . We are mobilising our people and fostering innovation and technology to help customers respond to climate change. For example, by enabling more precise blasting FRAGTrack™ can greatly reduce downstream customer processing requirements leading to potential productivity, operational and environmental efficiencies. | |

¹ Applies to Existing Operations. Base year emissions will be recalculated consistent with emissions accounting protocols if structural changes occur such as acquisitions or divestments.

Compliance

Ethical business practices and good governance

With operations spanning the world, there are numerous laws and regulations we must comply with including competition, modern slavery, anti-bribery and corruption requirements.

How we are responding

We have extensive compliance controls in place including country entry procedures, and customer and vendor sanction screening.

We train our people to do the right thing and they are supported by our ethics and compliance team and systems.

We have an independent Speak-Up service and encourage employees and external stakeholders to speak-up when they see things that do not reflect our values, or comply with our Code of Business Conduct or the laws in which we operate.

Developments in FY2020

- assessed the screening and due diligence of our existing sales and business partner relationships and reviewed an additional 10 high-risk countries
- implemented improvements to our trade sanctions screening of our customers and vendors

Operational

Safety, health, environment and security

Material safety, health, environment and security (SHES) risks that impact our people, communities and the environment.

How we are responding

The safety, health and wellbeing of our people underpins everything that we do. Our integrated SHES and risk management system, standards and procedures provide the framework through which we safely manage our operations. Our Major Hazard Management program provides a means to verify that our key controls are well designed, understood, and operating effectively.

The prevention of harm is our number one priority. Our controls include compliance protocols with regional legislative requirements, audit and inspection programs, plant and equipment design standards and asset maintenance programs. If harm were to occur, we have stringent first response and emergency response management plans in place across all our operations.

Developments in FY2020

- enhanced our critical asset maintenance strategies
- deployed the IS Basis of Safety audit program
- developed safe operating windows for key manufacturing technology processes
- conducted major hazard management key control verifications
- trialled vehicle monitoring systems
- audited the contents of all stores on initiating systems and packaged explosives manufacturing sites
- control verifications performed at all Orica AN storage locations

Supply chain disruption

Disruption to the integrity and continuity of our supply chain.

Through our global supply chain of manufacturing plants, supply alliances and joint ventures around the world, we are committed to ensuring a security of supply for our customers. Our supply partners undergo risk assessments and our assets have management and preventative maintenance programs in place. We have detailed sales and operations planning processes and ongoing supply and demand forecasting. We maintain the highest product quality and assurance via our quality improvement framework which is aligned to the International Organization for Standardization's Quality Management Standard, ISO9001 accreditation, new product testing and trials and global procurement standards and procedures.

- implemented the Product Part Approval Process supplier quality management program to assess third party and internal suppliers
- implemented quality control plans
- continued to diversify our supplier base
- successfully managed continuity of supply through COVID-19

Cyber security

A cyber-attack or information security breach may compromise the confidentiality, availability and/or integrity of our critical technology services and data.

Our security controls are continuously reviewed and strengthened as part of our cyber security strategy. We provide training to all our teams to raise their awareness of security threats and invest in systems and technologies to protect our data and network access.

- completed cyber control assessments of our vendors
- conducted further training and testing of our people's awareness of our security threats
- performed penetration testing

Financial

Financial risk management aims to reduce the volatility of our financial performance and maximise investment returns based on a prescribed level of risk, and is carried out centrally by our treasury function. Detail on how we manage our main financial risks, including market (commodity price, interest rate, foreign exchange), credit and liquidity risk is provided in Note 10 to the annual financial statements.

SUSTAINABILITY



Our approach to sustainability is based on understanding the issues of concern and opportunities for positive impact, responding openly and disclosing transparently, and embedding sustainable practices throughout our value chain.

This year has highlighted, more than ever, the critical role business will play in addressing the social and environmental challenges we face over the coming decades.

OUR APPROACH

How we manage and improve our environmental, social and governance performance is core to our business strategy, fundamental to growing a resilient organisation, and essential to creating enduring value for our stakeholders.

Our approach to sustainability is based on understanding the issues of concern and opportunities for positive impact, responding openly and disclosing transparently, and embedding sustainable practices throughout our value chain. This is allowing us to create a more resilient company that is aligned to our values, commercial strategy and the expectations of our people and stakeholders.

Our Sustainability Report provides stakeholders with more detailed disclosures on our non-financial performance.

This includes performance against our sustainability targets, our approach to material sustainability topics and how we are managing social and environmental risk while capitalising on new opportunities.

SAFE AND RESPONSIBLE BUSINESS

29% REDUCTION
in Serious Injury Case Rate
compared to FY2019

SAFETY, HEALTH AND SECURITY AS A PRIORITY, ALWAYS

The safety and health of our people and communities and security of our product is our priority.

We maintain a relentless focus on preventing injuries and illness with no fatalities recorded in FY2020 for the third consecutive year. Targeted serious injury prevention programs resulted in a 29 per cent reduction in our Serious Injury Case Rate from FY2019, meeting our FY2020 target, and achieving our lowest rate in four years. Our All Worker Recordable Case Rate remains above target, as our primary focus has remained on serious injury and preventing fatalities.

We continue to promote and enhance safety leadership behaviour within our workforce. Our leaders completed over 50,000 safety interactions, an increase of over 10 per cent over the previous year.

Following a successful pilot in FY2019, we continued to embed our Major Hazard Management program within our operations in FY2020 with over 11,500 key controls verified through the program. Through the program, we were able to rapidly assess controls in place at our facilities following the explosion at Lebanon's Beirut Port in August 2020. This provided internal and external stakeholders with assurance that product security risks continue to be well managed within our business.

OPERATING WITH INTEGRITY AND RESPECT FOR ALL

Acting with integrity, conducting business ethically and operating with respect are integral to our values. To ensure the ongoing effectiveness of our Ethics and Compliance program, we undertook an internal review and benchmarking process against global best practice and regulator guidance. With a view to continuous improvement and an enhanced focus on key risks, the program has been refreshed and a new framework developed. This three-year strategy will commence in FY2021.

We continued our country-based monitoring and assurance program, assessing 10 high-risk countries in FY2020. Countries were selected based on independent global risk indices, magnitude of Orica's exposure (based on number of employees in country and revenue) and past performance (previous ethics and compliance issues raised). Corrective and preventative actions identified from our assurance activity will be implemented in FY2021.

We are committed to protecting, upholding, and advancing human rights across our business activities. As part of our evolving approach to managing modern slavery risks within our operations and supply chain, we undertook a preliminary modern slavery risk assessment in FY2020 covering a selection of high-risk business activities. A more extensive human rights risk assessment, incorporating Rights of Indigenous Peoples, will be undertaken in FY2021.

EMPOWERING SOCIAL PROGRESS

25% WOMEN
in senior leadership,
up 3% from FY2019

DIVERSE, INCLUSIVE CULTURE AND INSPIRED WORKFORCE

Our people are our biggest asset and the foundation of our success. To enable them to thrive, our People and Culture strategy fosters a diverse, inclusive and engaged workplace. In FY2020 we made further progress on improving the health of our organisation with our fourth enterprise-wide survey showing an eight-point improvement over FY2019 survey results. Female representation in our senior leadership increased to 25 per cent while our Enterprise Leaders Program (ELP), our flagship development program cultivating talent for future senior leadership roles, featured 50-50 gender-balanced participation. We refreshed our strategies for people, culture, diversity and inclusion, setting out new targets for the period FY2021-FY2024. These can be found in our FY2020 Sustainability Report.

Developing our talent pipeline by attracting, investing in and developing our people was a key focus in FY2020. Alongside our ELP and graduate program, we further invested in building our commercial and technical capability through an expanded technology career ladder. With technology and innovation a growth engine of our business strategy, we remain focused on developing talent with critical technical skills who can ensure we maintain our position as a market leader in technology.

SAFE, RESILIENT AND THRIVING COMMUNITIES

The challenges faced this year around the world, including natural disasters and COVID-19, have impacted the communities in which we operate to varying degrees. Throughout the year, our focus was on engaging our communities to understand their specific challenges ensuring we delivered tailored financial and in-kind support to address their specific needs.



In FY2020 our community investment totalled \$3.2 million, with almost half of this directed to emergency services/disaster relief efforts, including COVID-19 related support, aid toward bushfire affected communities in Australia and donations to assist the Taal Volcano relief effort in the Philippines.

We also refreshed our Group Community Impact and Investment framework. Our revised approach ensures our community contributions are strategic and targeted to create meaningful positive economic, social and environmental impact with enduring value. Roll-out of the new framework will commence in FY2021.

CLIMATE RESILIENT ECONOMIC GROWTH

**New target of at least
40% REDUCTION
in Scope 1 and Scope 2 GHG
emissions by FY2030²**

TRANSITIONING TO A LOW-CARBON ECONOMY

In FY2020, we continued to mature our understanding of the potential impacts of climate change on our business, reduce greenhouse gas (GHG) emissions,

and define a credible decarbonisation pathway to increase our business resilience and capture new opportunities in a low-carbon economy.

Our climate disclosures have increased and are with reference to the recommendations outlined in the G20's Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD). An updated climate change risk and opportunity assessment across our global value chain was completed with the identified physical and transitional risks and opportunities further integrated into our strategic scenario planning and risk management processes. We also updated our Climate Change Policy to better reflect our long-term commitment to climate action.

Global Scope 1, 2 and 3 emissions were 6.3 MtCO₂-e, a reduction of 9.8 per cent from FY2019. Emission reductions this year facilitated the achievement of our short-term FY2020 GHG emissions intensity target. In FY2020, we achieved a GHG emissions intensity of 1.64 tCO₂-e per tonne AN sold, 6.5 per cent below our FY2019 intensity (1.75 tCO₂-e per tonne AN sold).

In FY2020, our total operational Scope 1 and Scope 2 emissions were 2.1 MtCO₂-e. This represents a 9.5 per cent reduction from FY2019, achieved by replacement and improved performance of selective catalyst abatement in our nitric acid plants.

We are committed to decarbonising our operations consistent with the primary objectives of the Paris Agreement¹. Accordingly, we established new targets towards achieving that goal:

1. Reduce operational Scope 1 and Scope 2 GHG emissions by at least 40 per cent, from FY2019 levels by FY2030²
2. Maintain Scope 1, 2 and 3 emissions intensity at or below 1.7 tCO₂-e/tonne ammonium nitrate sold by FY2022³

Our targets are underpinned by a credible and achievable pathway to decarbonisation focused on a range of practical, technology-driven solutions to unlock further emissions reductions across our global operations.

¹ On 12 December 2015, parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future. This is known as the Paris Agreement.

² Applies to Existing Operations. Base year emissions will be recalculated consistent with emissions accounting protocols if structural changes occur such as acquisitions or divestments.

³ Scope 3 emissions relate to third-party purchases of ammonia and ammonium nitrate.

TCFD INDEX

The following index provides references to Orica's disclosures on climate-related risks and opportunities as recommended by the TCFD.

| TCFD recommendation | 2020 Sustainability Report reference | Additional information |
|---|---|---|
| Governance – Disclose the organisation's governance around climate change-related risks and opportunities. | | |
| a) Describe the board's oversight of climate-related risks and opportunities. | <ul style="list-style-type: none"> Climate change governance | <ul style="list-style-type: none"> 2020 Annual Report/Governance summary 2020 Corporate Governance Statement Climate Change Policy |
| b) Describe management's role in assessing and managing climate-related risks and opportunities. | <ul style="list-style-type: none"> Climate change governance | |
| Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. | | |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. | <ul style="list-style-type: none"> Climate risks and opportunities | <ul style="list-style-type: none"> 2020 Annual Report/Material Risks and Opportunities |
| b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. | <ul style="list-style-type: none"> Embedding climate change in decision-making Accelerating decarbonisation Catalysing climate action | <ul style="list-style-type: none"> CDP climate change response |
| c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | <ul style="list-style-type: none"> Integrated scenario planning | <ul style="list-style-type: none"> Orica plans to mature our internal scenario analysis exercises to test the resilience of our business model |
| Risk management – Disclose how the organisation identifies, assesses, and manages climate-related risks. | | |
| a) Describe the organisation's processes for identifying and assessing climate-related risks. | <ul style="list-style-type: none"> Climate risks and opportunities | <ul style="list-style-type: none"> 2020 Annual Report/Material Risks and Opportunities |
| b) Describe the organisation's processes for managing climate-related risks. | <ul style="list-style-type: none"> Climate risks and opportunities Embedding climate change in decision-making Accelerating decarbonisation Catalysing climate action | <ul style="list-style-type: none"> 2020 Annual Report/Material Risks and Opportunities |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. | <ul style="list-style-type: none"> Embedding climate change in decision-making | <ul style="list-style-type: none"> 2020 Annual Report/Material Risks and Opportunities |
| Metrics and targets – disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | | |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | <ul style="list-style-type: none"> GHG emissions performance Stewarding natural resources | |
| b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. | <ul style="list-style-type: none"> GHG emissions performance | <ul style="list-style-type: none"> ESG Data Centre CDP climate change response |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | <ul style="list-style-type: none"> Sustainability Scorecard Decarbonisation strategy and emissions targets | |

A large underground tunnel under construction. A yellow truck is parked on the right side of the tunnel. A blue laser scanner is mounted on the truck, emitting a series of concentric circles of light. The tunnel walls are covered in a grid of rock bolts. The floor is covered in rocks and debris. The scene is dimly lit, with the primary light source being the truck's headlights and the laser scanner.

In FY2020, we continued to develop, commercialise and apply technologies to improve safety and reduce environmental impact at our customers' operations.



STEWARDED NATURAL RESOURCES

With our business dependent on access to natural resources, we are committed to strong environmental stewardship across all our operations. In FY2020, we strengthened our environmental performance and achieved zero Severity 3+ or Severity 2 events. COVID-19 contributed to lower absolute volumes of waste generation, water and energy consumption. The effects of ongoing efficiency measures were evident in our energy intensity metric which fell six per cent to 5.6 GJ per tonne of AN sold. We did not meet our potable water intensity target due to interrupted supply of recycled water to Kooragang Island. Potable water intensity increased to 0.77 kL per tonne of AN sold, however, we remain committed to increasing our use of recycled water, with our FY2021 target for potable water intensity set at 0.67 kL per tonne of AN sold.

Total waste disposed fell by 12 per cent (achieving our target of two per cent) while waste diverted from landfill increased by nine per cent to 65 per cent. An overhaul of the global waste data collection platform strengthened our site-by-site visibility of waste types and will strengthen the ongoing analysis of further waste diversion and management opportunities.

Our ongoing remediation of legacy sites continues with several projects progressing in FY2020. At Deer Park, Australia, the remediation of contaminated soil was carried out without disruption to the neighbouring community. At Botany Bay, Australia, and Brownsburg, Canada, innovative biofilm and phytoremediation pilot programs are underway supporting our goal of always finding and using the most effective and appropriate remediation solutions.

We continue to progress with removal of hexachlorobenzene (HCB) waste from our Botany facility, with destruction of HCB waste from the third shipment to Finland and Sweden completed, and the fourth shipment shipped in July 2020. Planning for the fifth shipment is in progress, as we progressively eliminate this long-term legacy from chlorinated solvents manufactured at Botany.

SUSTAINABLE COMMERCIAL SOLUTIONS

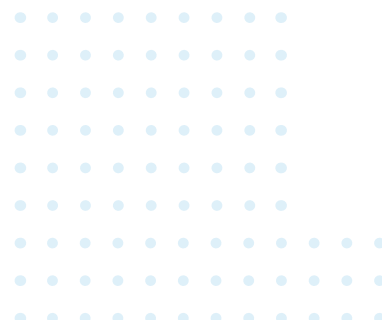
We are committed to increasing the sustainability performance of our own operations however it is through our commercial solutions where we believe we can have the greatest impact. As the world's leading provider of commercial explosives and blasting systems we recognise the unique opportunity we have to improve the sustainability performance of our customers.

In FY2020, we continued to develop, commercialise and apply technologies to improve safety and reduce environmental impact at our customers' operations.

Our automated fragmentation measuring system FRAGTrack™ continued to facilitate a data-driven approach to blast optimisation. By enabling more precise, surgical blasts, FRAGTrack™ can reduce downstream processing requirements leading to improved productivity and operational efficiencies, as well as the potential for a reduction in emissions intensity of operations.

In FY2020, the deployment of WebGen™ progressed with the world's largest wireless blast conducted using our wireless detonators. WebGen™ removes people from harm's way by allowing blasts to be initiated from remote control rooms.

As COVID-19 forced unplanned site shutdowns, our GroundProbe monitoring services supported customers to work remotely. GroundProbe uses radar and Light Detection and Ranging (LiDAR) to monitor slope stability in mines and tailings dams, providing early detection and warning of risks and hazards, and enabling people to be moved out of harm's way.



GOVERNANCE

Protecting and enhancing long-term shareholder value is underpinned by effective corporate governance. We recognise this is critical not only for our shareholders, but all our stakeholders to promote their interests and to deliver our strategy in a sustainable way.

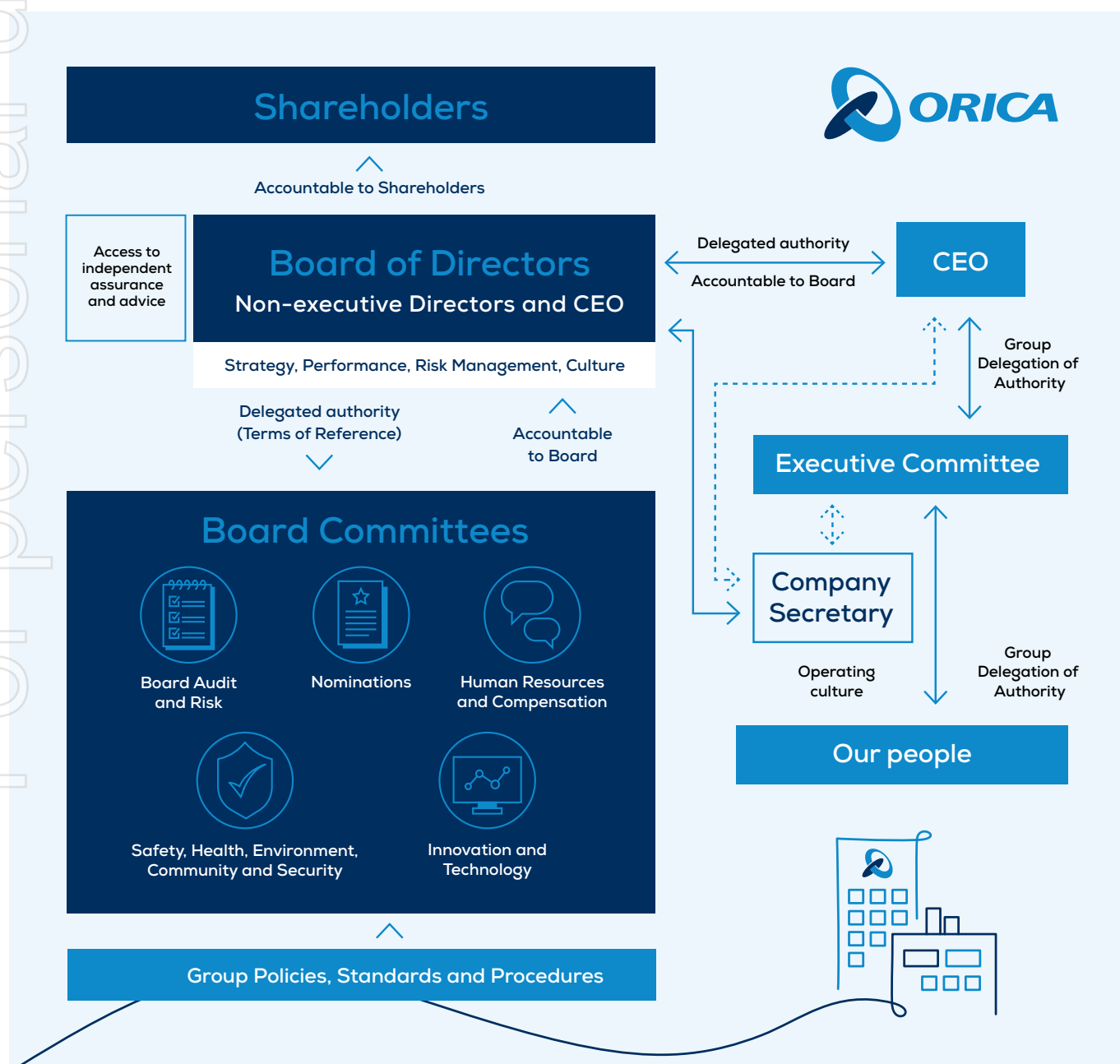
Our leaders are committed to ensuring we conduct our business ethically and to the highest standards of corporate governance. To align our approach with best practice corporate governance and regulatory developments, we periodically review and update our corporate governance documents and practices.

Throughout FY2020, our governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) ('ASX Principles and Recommendations'). As required by the ASX, we will report against the 4th Edition of the ASX Principles

and Recommendations for the year ending 30 September 2021.

Further details of our corporate governance practices can be found in our 2020 Corporate Governance Statement.

CORPORATE GOVERNANCE FRAMEWORK



ROLE OF OUR BOARD

The business and affairs of the Orica Group are managed by or under the direction of our Board who set our strategic direction, approve our business plan and dividend policy, and oversee performance, material strategic and operational risks and the Group's risk management framework.

They play a key role in shaping our organisational culture, ensuring we achieve our wider sustainability objectives and considering the interests of our key stakeholders in their decisions.

Refer to page 12 to read more about our key stakeholders.

Five standing committees assist our Board to effectively discharge their responsibilities. From time to time, other special purpose committees are convened to assist with particular matters or to exercise a delegated authority of the Board.

Day-to-day responsibility for managing the Orica Group is delegated to our Managing Director and Chief Executive Officer, who operates within the authority limits as determined by our Board.

COMPOSITION OF OUR BOARD

The skills, experiences and diversity of our Board are reviewed regularly to ensure they are aligned to achieving our strategic objectives in the short, medium and long-term, against a backdrop of evolving stakeholder expectations. This includes identifying any professional development required by Directors to deepen their understanding of our business and enable them to make fully informed decisions.

A skills matrix is used as part of the succession planning process to inform discussion and identify the competencies needed to enhance our Board's performance and effectiveness.

A summary of the collective key competencies, diversity profile and average tenure of our Board can be found to the right.

Further information on the skills and experience of each Director can be found on page 30 of this Annual Report.

SKILLS MATRIX SUMMARY

Leadership

Board, CEO or senior executive experience in major organisations, enterprises or listed companies in Australia or overseas.

Mining

Experience, knowledge and expertise in the Australian or the international resources sector and/or related operations.

Global perspective

Experience in international markets with exposure to a range of political, cultural, regulatory and business environments.

Technology trends and innovation

Experience, knowledge and expertise in the development and commercial application of new and emerging technology and cyber security.

Financial acumen

Financial knowledge or related financial management or accounting qualifications and experience, including understanding the financial statements.

Mergers and acquisitions

Experience in merger and acquisition transactions involving complex issues.

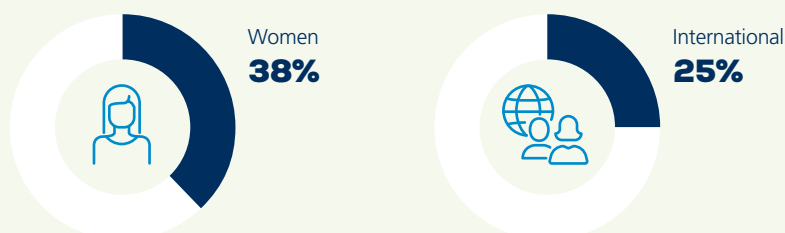
Governance and legal

Experience and knowledge in governance issues (including the legal, compliance, environmental and regulatory environment applicable to the Australian or international resources sector).

AVERAGE TENURE OF NON-EXECUTIVE DIRECTORS



DIVERSITY PROFILE



BOARD AND COMMITTEE FOCUS IN FY2020

Throughout the year, our Board provided strategic guidance and direction to our management team to deliver on our business performance objectives.

Key activities undertaken in collaboration with management

FOCUS



STRATEGY AND BUSINESS PERFORMANCE

Activity

- Approved the FY2020 strategic plan and three-year business plans for Group finance and each region.
- Approved the acquisition of Peru's leading manufacturer and distributor of industrial explosives, Exsa and monitored its successful integration into our business.
- Oversaw implementation of a single enterprise resource planning SAP project across Orica which presents a new way of working. Once fully embedded, the system will:
 - facilitate faster and better decision-making across our operations
 - improve agility, product security and customer outcomes over time
 - enhance our competitiveness across the global market.



OUR PEOPLE

Activity

- Monitored progress and the continued strengthening of our organisational culture including internal safety conscious norms.
- Advanced our strategy and approach to retain and engage a diverse and inclusive workforce.
- Approved the remuneration framework and performance outcomes for executive management.
- Oversaw the succession planning process for the Board, Managing Director and Chief Executive Officer and key executive roles.



RISK MANAGEMENT

Activity

Supported initiatives to mature our risk management processes including:

- ongoing development and implementation of our Risk Appetite framework
- broader transformation programs to enhance how we identify and respond to material business risks.



CAPITAL MANAGEMENT

Activity

- Approved financing activity including the extension of \$715 million of undrawn committed bank debt facilities in March 2020.
- Approved Orica's seventh issuance in the US Private Placement (USPP) market totalling A\$725 million (equivalent) and representing an oversubscription of more than five times.
- Oversaw and approved a capital raising comprising a fully underwritten A\$500 million institutional share placement and a non-underwritten share purchase plan which raised a further A\$17.3 million.



SUSTAINABILITY

Activity

The Board Audit and Risk Committee:

- aligned sustainability disclosures against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), through oversight and monitoring progress.

The Safety, Health, Environment, Community and Security Committee (SHECS):

- provided oversight of our safety, health, environment, security and sustainability performance, and SHECS material risks
- contributed to the development of the safety, health, environment and security (SHES) five-year strategy
- noted a review of our refreshed Community Investment and Impact framework
- approved our FY2021 SHES and sustainability targets for inclusion in the FY2020 Sustainability Report.



COVID-19 PANDEMIC RESPONSE

Activity

With the COVID-19 pandemic requiring a global response, out-of-cycle updates were received on five key areas of risk:

- safety of our employees, customers and communities in which we operate
- continuity of manufacturing and supply
- essential business services
- liquidity management
- information technology.



FOCUS ON CLIMATE CHANGE

Climate change is a material governance and strategic issue that is routinely overseen by our Board. Climate-related topics are considered during Board strategy discussions, strategic risk oversight and monitoring, policy implementation and performance updates. Our Board approves our Climate Change Policy, monitors its implementation to support the execution of our business strategy and conducts strategic risk deep dives every two years.

During FY2020, our Board:

- endorsed a revised Climate Change Policy (November 2019), following the consideration of a strategic climate risk update in FY2019
- considered a set of macroeconomic scenarios incorporating a range of global warming futures which will underpin quantitative scenario analysis to be performed in FY2021
- considered an update on climate change and long-term manufacturing and decarbonisation opportunities.

Following the conclusion of the financial year, in November 2020 the Board subsequently:

- endorsed a recommendation from the Safety, Health, Environment, Community and Security (SHECS) Committee to establish new climate change targets
- approved a recommendation from the SHECS Committee to strengthen links between climate change and executive remuneration. Decarbonisation measures are now within our relevant executive remuneration incentive plan, with effect from FY2021.

Throughout FY2020, our executive leadership team continued to oversee climate-related issues. A steering committee on climate and corporate disclosure was formed to strengthen governance and drive continual performance improvement. The committee is co-chaired by our Chief Financial Officer and Chief Communications Officer.

BOARD OF DIRECTORS



MALCOLM BROOMHEAD AO
BE, MBA

Malcolm was appointed Chairman of Orica Limited as of 1 January 2016 and has been a Non-executive Director since December 2015. He is Chair of the Nominations Committee. Malcolm is a Director of BHP Group Limited and Plc and a former Chairman of Asciano Limited. He is a Director of the Walter and Eliza Hall Institute and Council Member of Opportunity International Australia.



JOHN BEEVERS
BEng (Mining), MBus, MAICD

John has been a Non-executive Director since February 2020. He is a member of the Safety, Health, Environment, Community and Security Committee, the Innovation and Technology Committee and the Nominations Committee. John is also a Director of Syrah Resources Limited and former Director of QUT Bluebox, the commercialisation arm of the Queensland University of Technology.



BOON SWAN FOO
BA, MBA

Boon joined as a Non-executive Director in May 2019 and is a member of the Innovation and Technology Committee, Board Audit and Risk Committee and the Nominations Committee. He is Chairman and Non-executive Director of SGX-ST-listed Global Investments Limited, Chairman of Allgrace Investment Management Private Limited, and Chairman of Singapore Consortium Investment Management Limited. Boon is an external Director of China Huadian Corporation Ltd and China Baowu Steel Group Corporation Ltd. Previously, he was a Senior Advisor to Temasek International Advisors Pte Ltd, and Non-executive Director of Singbridge Holdings Pte Ltd, Singbridge International Singapore Pte Ltd and SinoSingapore Guangzhou Knowledge City Investment and Development Company.



MAXINE BRENNER
BA LLB

Maxine has been a Non-executive Director since April 2013. She is Chair of the Human Resources and Compensation Committee and member of the Board Audit and Risk Committee and the Nominations Committee. Maxine is a Director of Origin Energy Limited, Qantas Airways Limited and Woolworths Group Limited and former Director of Neverfail Australia Ltd, Treasury Corporation of NSW Federal Airports Corporation and Growthpoint Properties Australia Limited. She is also the former Managing Director of Investment Banking at Investec Bank (Australia) Ltd and a former member of the Takeovers Panel.



ALBERTO CALDERON
PhD Econ, M Phil Econ, JD Law, BA Econ

Alberto was appointed Managing Director and Chief Executive Officer on 19 May 2015 following his appointment as a Non-executive Director in August 2013. He is a former Group Executive and Chief Executive of BHP, Aluminium, Nickel and Corporate Development. Alberto is also a former Chief Executive Officer of Cerrejón Coal Company and Colombian oil company, Ecopetrol.



DENISE GIBSON
BA (Business Administration), MBA (Management)

Denise has been a Non-executive Director since January 2018 and is Chair of the Innovation and Technology Committee and member of the Human Resources and Compensation Committee and the Nominations Committee. Denise is co-founder and Chairman of Ice Mobility, Director of Aerial Technologies Inc., NASDAQ-listed VOXX International Corporation and ORBCOMM Inc., a board member of Consumer Technology Association, and Chairman of the Consumer Technology Association Foundation, both not-for-profit organisations. She is the founder and former CEO of Brightstar US.



KAREN MOSES
BEc, DipEd, FAICD

Karen has been a Non-executive Director since July 2016. She is Chair of the Safety, Health, Environment, Community and Security Committee, and member of the Human Resources and Compensation Committee and the Nominations Committee. Karen is a Director of Boral Limited, Charter Hall Group, Snowy Hydro Limited, and Sydney Symphony Limited, a Fellow of the Senate of Sydney University, and Chair of the NSW Artform Board for Dance and Physical Theatre. She is a former Director of Sydney Dance Company, SAS Trustee Corporation, Australia Pacific LNG Pty Limited, Origin Energy Limited, Contact Energy Limited, Energia Andina S.A., Australian Energy Market Operator Ltd, VENCORP and Energy and Water Ombudsman (Victoria) Limited.



GENE TILBROOK
BSc, MBA, FAICD

Gene has been a Non-executive Director since August 2013. He is Chair of the Board Audit and Risk Committee and member of the Safety, Health, Environment, Community and Security Committee and the Nominations Committee. He is also a Director of GPT Group and Woodside Petroleum, Director of the Bell Shakespeare Company, former Director of Aurizon Holdings and Fletcher Building and former Executive Director of Wesfarmers Limited.

COMPANY SECRETARIES

KIRSTEN ANDERSON LLEWELLYN
LLB, BA, LLM, FGIA

ERIN O'CONNOR
LLB (Hons), BCom

EXECUTIVE TEAM



ALBERTO CALDERON

PhD Econ, M Phil Econ, JD Law, BA Econ

Managing Director and Chief Executive Officer

Alberto was appointed Chief Executive Officer in May 2015, having been a Non-executive Director since August 2013. Alberto is a former Group Executive and Chief Executive of BHP, Aluminium, Nickel and Corporate Development. He is also a former Chief Executive Officer of Cerrejón Coal Company and Colombian oil company, Ecopetrol. Previously, Alberto was Executive Director of the International Monetary Fund, held senior roles in the Colombian government, and has been a Board member of a range of private, public and non-government organisations.



JAMES BONNOR

B.Com., (Econ, Mark)

President – North America

James was appointed Group Executive and President, North America in October 2015. He has more than 20 years of commercial and operational experience with Orica, including most recently Zone Executive Head, Americas, Orica Mining Services. James has held a range of general management, sales, marketing and customer relationship roles and worked with customers across several international market segments in Australia, New Zealand and Latin America.



DELPHINE CASSIDY

B.Bus (Accounting), MBA, FAICD

Chief Communications Officer

Delphine was appointed Chief Communications Officer in February 2020 with responsibility for external and internal communications and brand strategy, in addition to investor relations which she has led since joining Orica in 2016. Previously, Delphine held senior investor relations and corporate affairs roles at AWB, St Barbara Limited, Orient Capital and SKILLED Group.



DARRYL CUZZUBBO

BEng (1st class Hons) Mechanical Engineering, Masters (Hons) Total Quality Management, MBA

Chief Manufacturing Officer

Darryl was appointed Chief Manufacturing Officer in October 2019 after having held the role of Group Executive and President, Australia Pacific and Asia since 2016. He joined Orica in 2015 after a 24-year career with BHP where he held senior positions in group-wide functions and the Australian and South African coal and copper businesses with responsibility for operations, expansion projects and transformational change programs.



CHRISTOPHER DAVIS

B.Com (Hons), Acc; Chartered Accountant SA, GAICD

Chief Financial Officer

Christopher was appointed Chief Financial Officer in October 2018 and has responsibility for the group-wide finance function, taxation, treasury, sustainability, property, remediation, government relations, company secretariat, and group risk and assurance. Prior to joining Orica, Christopher held senior financial and executive roles within Anglo American Plc, including as CEO of its subsidiary Scaw Metals Group from 2009 to 2013 and CFO from 2008.



SANJEEV GANDHI

BEng Chemical Engineering, MBA

President – Australia Pacific and Asia

Sanjeev was appointed Group Executive and President, Australia Pacific and Asia in July 2020. Sanjeev is a former member of the Board of Executive Directors of BASF SE. During his 26-year career with BASF, Sanjeev held several senior marketing, commercial and business leadership roles including Head of Asia Pacific and Head of Global Chemicals Segment (Intermediates and Petrochemicals).



ADAM L. HALL

B.Com, LLB (Hons), MBA (HD)

Chief Development Officer

Adam was appointed Chief Development Officer in June 2019 with responsibility for corporate strategy, mergers and acquisitions and Orica Monitor, including GroundProbe. Prior to joining Orica, Adam led corporate development and industrial gases for CF Industries in the US. Adam brings 20 years' global experience in strategy and business development, having led transformational deals in his corporate roles with CF Industries and global agribusiness leader, Bunge.



RYAN KERR

B.Comm, Industrial Psychology B.Comm (Hons), Business Economics, MBA

Chief People Officer (Interim)

Ryan joined Orica in January 2018 as Vice President Human Resources Europe Middle East and Africa after having worked across the professional services, pulp and paper and resources sectors in various human resources roles in South Africa, Australia and the United Kingdom over a 24-year period.



ANGUS MELBOURNE

BEng (Hons) Mechanical Engineering, BSc Applied Mathematics

Chief Commercial Officer

Angus was appointed Chief Commercial Officer in October 2016 and has responsibility for strategic marketing, technology and Orica's China business. Angus joined Orica in January 2016 following a 25-year career at Schlumberger where he held a number of senior roles responsible for research and development, engineering, manufacturing, operations and sales. His experience at Schlumberger included responsibility for explosives and perforating products research, development and manufacturing.



GERMÁN MORALES

MSc, Civil Engineering, Executive MBA

President – Latin America

Germán was appointed Group Executive and President, Latin America in September 2018 following 18 years at commercial explosives manufacturer and distributor, Maxam. While at Maxam, Germán held business leadership roles in Europe, Middle East and Africa, the Americas and Australasia and served as a Board member for several Maxam companies around the world. Most recently, he was the Senior Executive Director and General Manager Civil Explosives.



THOMAS SCHUTTE

B.Com (Hons); Acc; Chartered Accountant (SA)

President – Europe, Middle East and Africa

Thomas was appointed Group Executive and President, EMEA in October 2017 after having held the role of Chief Financial Officer since September 2015. Before joining Orica, Thomas spent 20 years with BHP where he held a number of leadership positions, including President and CEO Samancor Manganese Ltd, President Global Marketing and CFO of the Global Commercial Group.

REVIEW OF OPERATIONS

STRONG PERFORMANCE IN A COVID-19 ENVIRONMENT

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the year ended 30 September 2020 was \$168 million, down 31 per cent on the prior corresponding period (pcp) with underlying EBIT⁽¹⁾ of \$605 million down nine per cent on the pcp.

SUMMARY

- Underlying EBIT⁽¹⁾ of \$605 million, down nine per cent on the pcp, before individually significant items.
- Underlying NPAT⁽²⁾ down 20 per cent on the pcp, before \$131 million of individually significant items after tax.
- Ammonium nitrate (AN) volumes down one per cent on the pcp at 3.93 million tonnes, and down four per cent on the pcp excluding Exsa volumes.
- Prolonged COVID-19 impacts, with more severe impacts in developing markets.
- Underlying earnings per share⁽³⁾ down 23 per cent to 75.7 cents per share.
- Net Operating cash flows⁽⁴⁾ of \$277 million and cash conversion of 74.4 per cent.
- Capital expenditure of \$472 million⁽⁵⁾ includes \$78 million of rectification works at Burrup.
- Net debt⁽⁶⁾ of \$1.8 billion and gearing⁽⁷⁾ at 36.4 per cent.
- Unfranked final dividend of 16.5 cents per share.

GROUP RESULTS

| Year ended 30 September | 2020 A\$M | 2019 A\$M | Change % |
|---|--------------|--------------|--------------|
| Sales revenue | 5,611.3 | 5,878.0 | (5%) |
| EBITDA ⁽⁸⁾ | 955.8 | 941.1 | 2% |
| EBIT⁽¹⁾ | 604.5 | 664.7 | (9%) |
| Net interest expense | (149.6) | (109.7) | (36%) |
| Tax expense | (146.4) | (177.7) | 18% |
| Non-controlling interests | (9.2) | (5.4) | (70%) |
| NPAT before individually significant items⁽²⁾ | 299.3 | 371.9 | (20%) |
| Individually significant items after tax | (131.0) | (126.8) | (3%) |
| NPAT after individually significant items (statutory) | 168.3 | 245.1 | (31%) |

Note: numbers in this report are subject to rounding and stated in Australian dollars unless otherwise noted.

BUSINESS SUMMARY

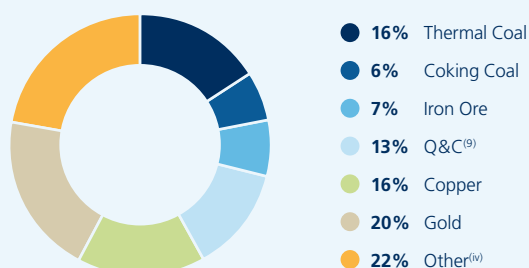
A summary of the performance of the segments for the 2020 and 2019 financial years is presented below:

| Year ended 30 September 2020 A\$M | AN Tonnes ^{(i), (ii)} ('000) | Sales Revenue ⁽ⁱⁱⁱ⁾ | EBITDA ⁽⁸⁾ | EBIT ⁽¹⁾ | Capital Expenditure ⁽⁵⁾ |
|--------------------------------------|--|-----------------------------------|-----------------------|---------------------|---------------------------------------|
| Australia Pacific & Asia (APA) | 1,763 | 2,193.9 | 518.1 | 369.5 | 169.3 |
| North America | 1,023 | 1,476.4 | 234.1 | 163.7 | 52.5 |
| Latin America | 694 | 895.6 | 70.6 | 36.6 | 16.9 |
| Europe, Middle East & Africa (EMEA) | 450 | 912.4 | 94.5 | 62.4 | 32.7 |
| Minova | – | 470.7 | 32.2 | 20.8 | 12.1 |
| Orica Monitor | – | 98.4 | 33.1 | 20.3 | 14.3 |
| Global Support | – | 635.8 | (26.8) | (68.8) | 174.1 |
| Eliminations | – | (1,071.9) | – | – | – |
| Orica Group | 3,930 | 5,611.3 | 955.8 | 604.5 | 471.9 |

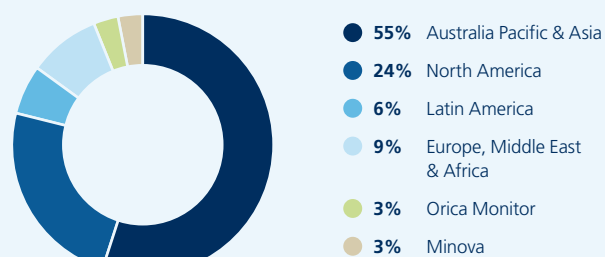
| Year ended 30 September 2019 A\$M | AN Tonnes ⁽ⁱ⁾ ('000) | Sales Revenue ⁽ⁱⁱⁱ⁾ | EBITDA ⁽⁸⁾ | EBIT ⁽¹⁾ | Capital Expenditure ⁽⁵⁾ |
|--------------------------------------|------------------------------------|-----------------------------------|-----------------------|---------------------|---------------------------------------|
| Australia Pacific & Asia (APA) | 1,682 | 2,106.0 | 508.9 | 382.7 | 159.1 |
| North America | 1,128 | 1,590.5 | 236.9 | 192.1 | 39.5 |
| Latin America | 718 | 969.9 | 66.5 | 43.8 | 29.4 |
| Europe, Middle East & Africa (EMEA) | 444 | 911.2 | 93.9 | 67.9 | 43.6 |
| Minova | – | 595.1 | 24.3 | 15.2 | 7.6 |
| Orica Monitor | – | 97.2 | 30.9 | 22.3 | 12.7 |
| Global Support | – | 1,210.4 | (20.3) | (59.3) | 132.1 |
| Eliminations | – | (1,602.3) | – | – | – |
| Orica Group | 3,972 | 5,878.0 | 941.1 | 664.7 | 424.0 |

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion. (ii) Includes 98 thousand tonnes sold from Exsa S.A. (Exsa). (iii) Includes external and inter-segment sales.

Revenue by commodity 2020



EBIT by region^(v) 2020



(iv) Includes Minova and Orica Monitor. (v) Excludes Global Support.



REVIEW OF OPERATIONS

Nothing is more important at Orica than keeping our people safe, as we continue to have a relentless focus on major hazards and fatality prevention. During this year of unprecedented change and disruption from bushfires, extreme weather events and the COVID-19 pandemic, our commitment to the health and wellbeing of our team and wider communities has been highlighted more than ever before.

In the early stages of the COVID-19 pandemic, crisis management teams were activated at a country, regional and global level, allowing us to respond to the rapidly changing situation in a consistent and quick manner. We continue to adapt our working practices as the situation evolves to provide for the health and safety of our people, customers and communities. Globally we have implemented controls to prevent infection in our workplaces, including temperature testing, physical distancing and sanitisation. Managing our people's psychological health has also been an important focus. Where our plants are operating, our enhanced safety and health controls are in place to protect the health and wellbeing of our people. In some areas where our leaders were unable to travel, we introduced augmented reality technology to allow remote safety verifications and technical support.

Over the past five years there has been a clear reduction in the number of serious injuries. The full year Serious Injury Case Rate reduced 29 per cent on the pcg, underpinned by a relentless focus on Major Hazard Management. The Total Recordable Injury Frequency rate was in line with the pcg, with the vast majority of cases being minor injuries such as cuts and sprains.

Environmental programs continue to be embedded across the business, and there were no major environmental incidents during the period. Orica is on track to align corporate governance and climate risk disclosure to the recommendations of the Task Force on Climate-related Financial Disclosures.

In pursuing our strategic objectives, three milestones were successfully completed in the second half:

1. The Burrup plant commenced production in May 2020 and produced approximately 100 thousand tonnes of high quality product in the second half. The plant achieved an Overall Equipment Effectiveness (OEE) of 85 per cent since operations commenced, with very positive feedback from customers. The plant remains a key strategic asset in a key growth market.
2. Since 30 April 2020, 96.8 per cent of total Exsa S.A. (Exsa) shares have been acquired, and the integration of the Exsa business has progressed in line with plan. Synergies from the acquisition are expected to materialise from the 2021 financial year.
3. The largest and final phase of the SAP project was implemented in July 2020.

The achievement of these strategic objectives through a challenging period has further solidified Orica's platform for future growth.

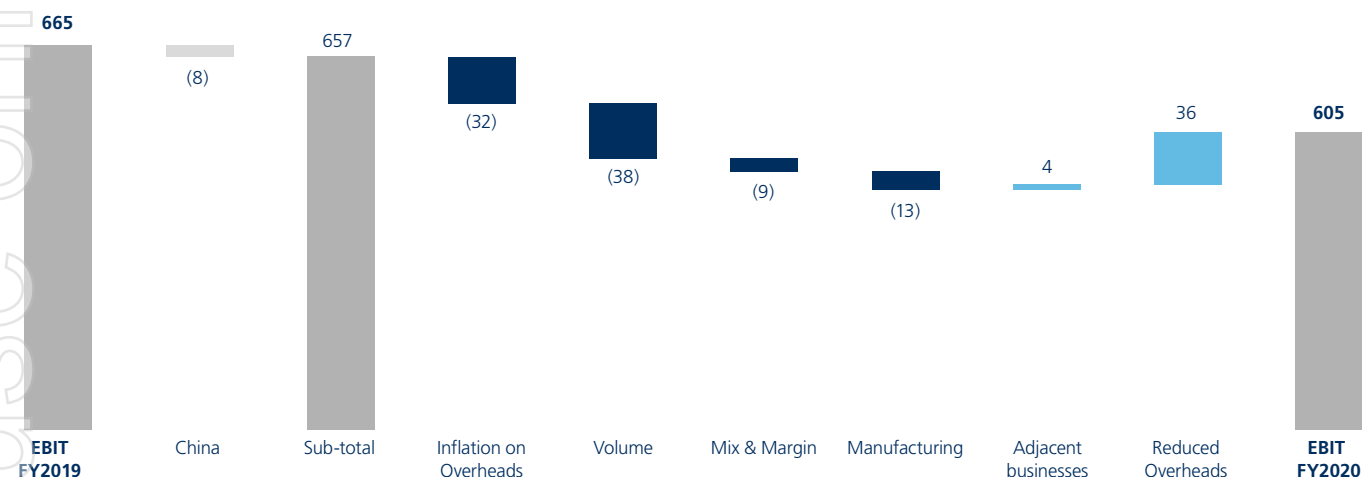
Following a strong first half, momentum into the second half was disrupted by the COVID-19 pandemic which led to lockdowns and lower levels of mining activity in many countries across our markets. As a result,

full year AN volumes were down four per cent on the pcg, excluding 98 thousand tonnes sold by the recently acquired Exsa business since acquisition in May 2020. Including Exsa, AN volumes were down one per cent on the pcg. While volume growth in Australia remained strong through the pandemic and mining activity in the United States of America (USA) was resilient, other geographical regions were impacted to varying degrees, and most severely in developing countries. Other structural impacts affecting the business include weakening and uncertain coal markets – particularly in the USA and Indonesia.

Sales revenue decreased by five per cent on the pcg to \$5.6 billion. This was largely the result of lower second half volumes, further impacted by decreased revenue from Minova, negative pricing in competitive markets and the impact of an ownership structure change of the China business which is no longer consolidated in Orica's results.

EBIT of \$605 million was down nine per cent on the pcg after solid first half growth. In addition to reduced volumes, EBIT was impacted by the change in ownership structure of the China business. Higher gas costs on the east coast of Australia and the associated pricing impact reduced EBIT by \$12 million. Reductions in some sales prices in the current price sensitive environment along with lower recoveries of plant fixed costs due to reduced sales volumes further impacted EBIT. These factors were partly offset by growth in adjacent businesses and benefits from reduced overheads and management initiatives implemented to mitigate COVID-19 impacts.

FY2019 to FY2020 EBIT (A\$M)



Key items in the chart above:

China, (\$8 million)

As previously reported, a new joint venture with Guizhou Jiulian Industrial Explosives was formed in the second half of the 2019 financial year. While the results from China subsidiaries were consolidated until June 2019, the joint venture's net profit after tax is no longer consolidated and is now treated as an after tax 49 per cent equity accounted investment.

Inflation on Overheads, (\$32 million)

Inflation on fixed overhead costs had an adverse impact of \$32 million.

Volume, (\$38 million)

Excluding Exsa, total AN volumes decreased by four per cent on the pcpc. Although volumes in most developed countries remained strong with mining activities continuing as essential services, many developing markets suffered severely from government mandated lockdowns and reduced mining activity.

Cyanide volumes were strong in a tighter global market, particularly with growth from new customers in Peru and Asia. Offsetting this was the non-repeat of spot sales in Mexico in the pcpc.

Initiating systems volumes were down on the pcpc, with conventional detonator volumes impacted across the year by customer site disruptions, mine plan changes or closures. Conventional detonator sales in China in the pcpc which are no longer consolidated in Orica's volumes due to the ownership structure change were offset by the inclusion of Exsa volumes in the second half.

Mix & Margin, (\$9 million)

Pricing has been under pressure following the consolidation of gold customers affecting margins most significantly in the USA and Africa. Latin America was also affected by contract extension negotiations occurring in a price sensitive environment. Australian east coast margins were reduced by higher gas costs.

This was partly offset by improved product mix from an ongoing shift towards electronic blasting system (EBS) and emulsion products, and favourable foreign exchange (FX).

Manufacturing, (\$13 million)

Manufacturing reliability and performance continued to be strong with OEE at our continuous AN plants above 80 per cent, however lower demand in the second half and heightened safety protocols due to COVID-19 at plants impacted fixed costs and associated recoveries.

Adjacent businesses, +\$4 million

The Minova result increased from the pcpc, from improved pricing and demand for higher value products, together with a continued focus on manufacturing cost efficiencies and overhead cost reduction.

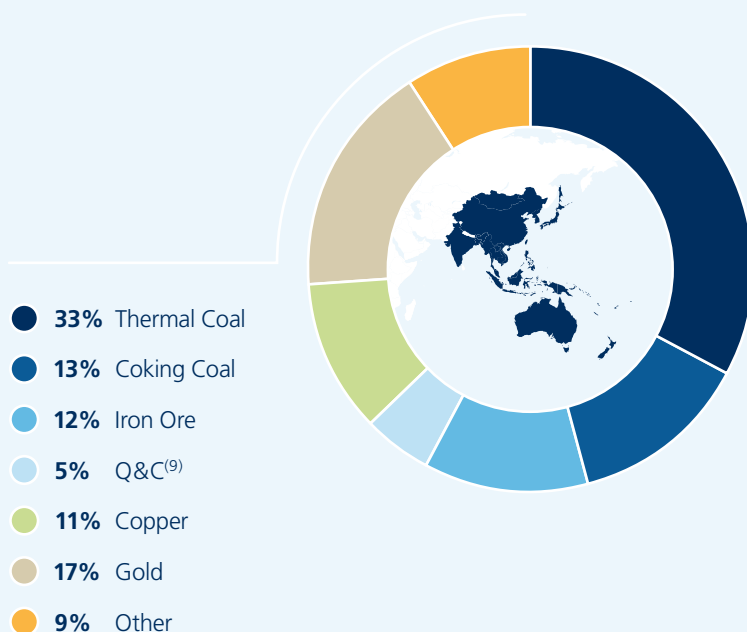
Following a strong first half, the Orica Monitor result was reduced by a shift from radar sales to leases due to customer capital constraints.

Reduced overheads, +\$36 million

Overheads were reduced compared to the pcpc, including from management initiatives implemented to mitigate COVID-19 impacts in the second half reduced non-billable labour overheads and a reduction in discretionary spend.



AUSTRALIA PACIFIC & ASIA



| Year ended 30 September | 2020 | 2019 | Change |
|---|---------|---------|--------|
| Total AN & Emulsion Volumes ('000 tonnes) | 1,763 | 1,682 | 5% |
| Total sales revenue (A\$M) | 2,193.9 | 2,106.0 | 4% |
| EBITDA ⁽⁸⁾ (A\$M) | 518.1 | 508.9 | 2% |
| EBIT ⁽¹⁾ (A\$M) | 369.5 | 382.7 | (3%) |

COMMODITY EXPOSURE

A significant reduction in thermal coal demand in Indonesia and lower sales in India led the decreased thermal coal exposure compared to the pc. Coking coal exposure increased from new business and expansion from existing customers on the east coast of Australia. Contribution from gold increased on the pc from both higher cyanide sales and strengthened explosives demand in gold markets, while copper exposure increased from the ramp up of new business in Mongolia.

PERFORMANCE DRIVERS

COVID-19

Mining was been deemed an essential service in Australia, and together with effective contingency planning, this allowed supply to customers to continue, largely uninterrupted. Negative impacts were broadly limited to increased supply chain and manufacturing costs together with deferred supply at a small number of customer sites in the last quarter. In contrast, the situation in Asia was more severe,

particularly in Indonesia where customer activities were either reduced or temporarily shut down as a result of COVID-19.

Volume

Explosives volumes were strong in Australia despite COVID-19 effects in the second half and impacts from bushfires and extreme weather in the first half. The growth in an increasingly challenging coal market was underpinned by contract wins and sales to competitors. Volumes were up in the Pilbara region due to a strong iron ore market. Softening in the Indonesian thermal coal market led to a reduction in explosives volumes in Asia, partly offset by the ramp up of new customer activity in Mongolia.

EBS volume growth momentum continued from further customer conversion in Australia. New business in Mongolia and the Philippines partly offset the effect of reduced conventional detonator sales in China in the pc which are no longer consolidated in Orica's volumes due to the ownership structure change.

Cyanide volumes increased on the pc from new business in Asia and higher demand in Australia.

Technology-based product sales grew on the pc, albeit constrained by new trial delays as specialists required to manage implementations could not be mobilised to sites due to COVID-19 limitations.

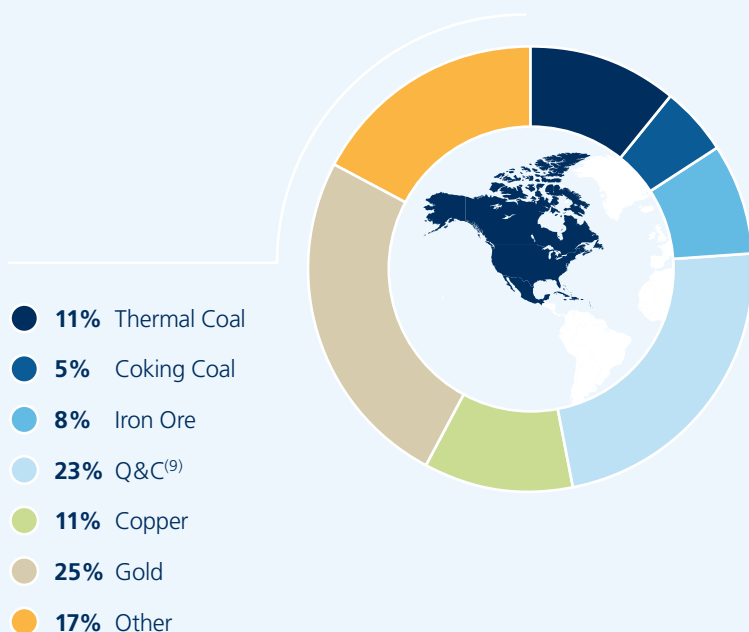
EBIT

Excluding the \$8 million impact from the ownership structure change of the China business, EBIT decreased one per cent on the pc. The region continued to drive increased uptake of advanced products which, in combination with management cost initiatives, partially mitigated several challenges faced during the period. Beside COVID-19, these included extreme weather events in the first half and a new gas supply contract effective from January 2020.

The Burrup plant commenced production in May 2020, manufacturing high quality product in line with expectations, driving an improvement in sourcing costs on the pc.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased three per cent on the pc.

NORTH AMERICA



deemed non-essential and many mines were shut in April and May. Although mines have since begun reopening, overall activity continues to be constrained as the pandemic remains widespread across the country.

Volume

Explosives volumes reduced by nine per cent on the pcg due to negative COVID-19 impacts in Canada and Mexico and continued geopolitical issues in Mexico. This was partly offset by slight explosives volume growth in the USA, following a strong first half in the Q&C sector. Second half Q&C volumes reflected a decline in larger infrastructure projects, offset by increased demand in small to medium sized projects. Abundant supplies of natural gas and resulting lower gas prices in the USA have shifted demand away from thermal coal, thus impacting explosives demand.

Both EBS and conventional detonators were down on the pcg as a result of COVID-19 shutdowns and the negative thermal coal impact in the USA while conventional detonator volumes across the region were impacted by temporary mine closures and production slowdowns.

Uptake of WebGen™ wireless detonators and BlastIQ™ technology further improved on the pcg, however further trials have been temporarily delayed due to COVID-19.

EBIT

In addition to COVID-19 related volume reductions, results decreased on the pcg due to lower recoveries of fixed costs in the manufacturing plants, and the previously reported pricing impact from gold customer consolidation in the USA. Lower explosives volumes in Mexico and the non-repeat of cyanide sales in the pcg further contributed to the lower EBIT result.

These were partially offset by ongoing cost efficiency improvements across the region, positive FX movements and initial benefits from the closure of the Hallowell plant.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased 10 per cent on the pcg.

| Year ended 30 September | 2020 | 2019 | Change |
|---|---------|---------|--------|
| Total AN & Emulsion Volumes ('000 tonnes) | 1,023 | 1,128 | (9%) |
| Total sales revenue (A\$M) | 1,476.4 | 1,590.5 | (7%) |
| EBITDA ⁽⁸⁾ (A\$M) | 234.1 | 236.9 | (1%) |
| EBIT ⁽¹⁾ (A\$M) | 163.7 | 192.1 | (15%) |

COMMODITY EXPOSURE

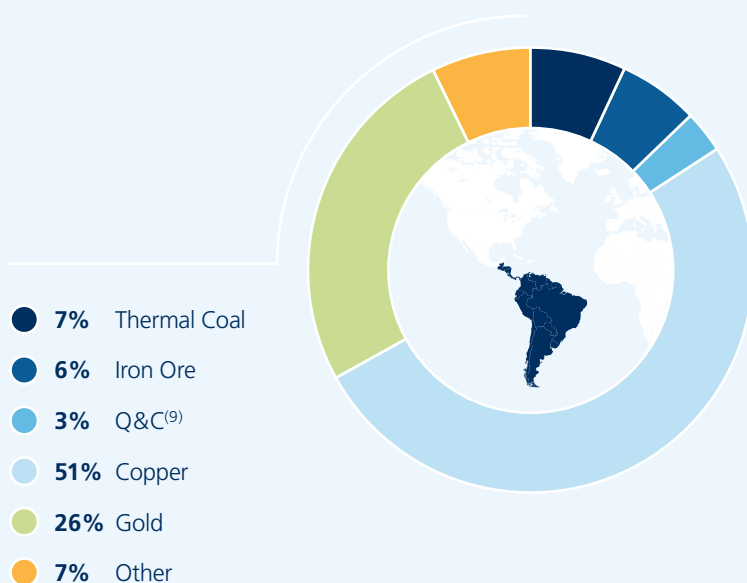
The varying performance across the region resulted in a significant shift in commodity exposure compared to the pcg. Revenue contribution from Quarry & Construction (Q&C) markets in the USA increased, supported by strong government funding for small to medium sized infrastructure projects. This was offset by lower gold exposure due to prolonged customer mine closures and a slowdown in activity due to COVID-19 in Mexico.

PERFORMANCE DRIVERS

COVID-19

Mining in the USA was deemed as an essential service early in the COVID-19 pandemic, allowing ongoing operations. In contrast, mining was deemed non-essential in Quebec, Canada leading to mandated shutdowns in March and April. The ramp up since April has been slow, with limitations from strict safety protocols on sites. Mexico was the worst impacted market in the region as mining was also

LATIN AMERICA



Chile, mining was deemed as an essential service which partially mitigated the COVID-19 impact in the mining sector.

Volume

Although first half results in the region were strong, the prolonged and severe government mandated restrictions to mining activity heavily impacted second half volumes. Explosives volumes were also impacted by the change in a major Colombian customer's business model, shifting their requirements from explosives products towards the provision of services. This was partly offset by new emulsion sales to a customer in the copper sector in Peru, and the inclusion of Exsa sales volumes of 98 thousand tonnes.

EBS sales excluding Exsa were in line with the pcp, following positive customer conversion in the first half. Conventional detonator volumes decreased due to customer site disruptions and fewer competitor sales.

Cyanide volumes were higher than in the pcp from new customer wins in Brazil and Argentina, together with higher demand from existing customers in Peru.

EBIT

Following a strong first half, the significant COVID-19 impact to the region in the second half was partly mitigated by management initiatives such as business rightsizing, improved procurement costs, reduced fixed costs, leveraging augmented reality technology to ensure ongoing service delivery and a reduction in discretionary spend.

Improved cyanide pricing partly offset negative explosives pricing impacts which occurred as a result of contract negotiations in the current price sensitive market.

The integration of the newly acquired Exsa business is progressing in line with plan despite challenges from COVID-19 and significant disruptions to mining activity in Peru. This has enabled the achievement of major milestones such as the production of Orica branded products and the commencement of bulk AN imports. The Exsa business delivered a neutral underlying EBIT result in the 2020 financial year.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased five per cent on the pcp.

| Year ended 30 September | 2020 | 2019 | Change |
|---|-------|-------|--------|
| Total AN & Emulsion Volumes ('000 tonnes) | 694 | 718 | (3%) |
| Total sales revenue (A\$M) | 895.6 | 969.9 | (8%) |
| EBITDA ⁽⁸⁾ (A\$M) | 70.6 | 66.5 | 6% |
| EBIT ⁽¹⁾ (A\$M) | 36.6 | 43.8 | (16%) |

COMMODITY EXPOSURE

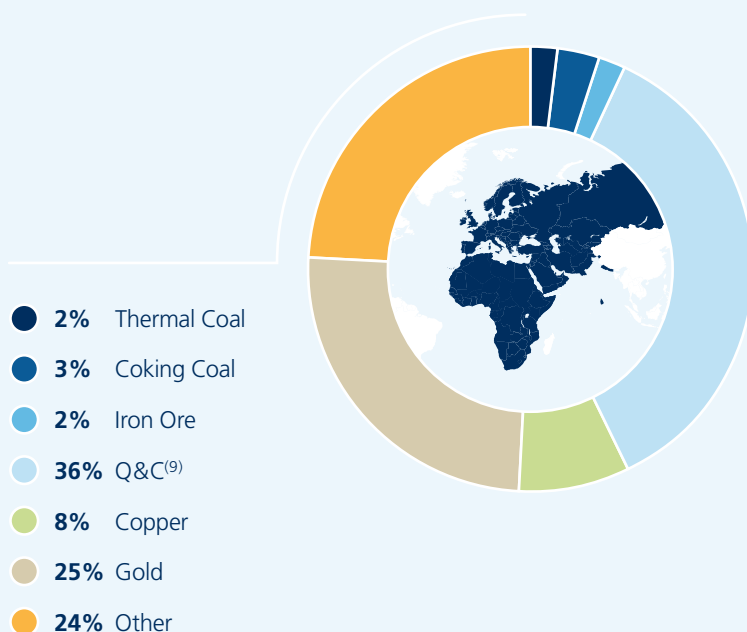
A significant shift in the region's commodity exposure reflects the inclusion of Exsa revenue from May 2020, resulting in greater exposure to copper and gold and a corresponding relative reduction in revenue contribution from thermal coal. This shift towards gold and copper was further increased by new contracts and strong cyanide demand. Lower explosives volumes to a customer in Colombia, following a change to their business model, also reduced the region's exposure to thermal coal.

PERFORMANCE DRIVERS

COVID-19

The Peruvian market was among the worst affected by COVID-19 with widespread partial or complete suspension of operations on customer mine sites driving a significant impact to the region's result. Colombia was also heavily impacted by government quarantine measures, which together with lower commodity prices, and significantly reduced coal demand led to temporary mine and quarry closures. In

EUROPE, MIDDLE EAST & AFRICA



across the continent. Two customer mines were closed for care and maintenance in the Democratic Republic of Congo.

Volume

Explosives volumes in the first half were led by key growth markets in the CIS and across Africa, driven both by new contract wins and higher demand from existing customers. Although COVID-19 disrupted growth momentum, full year explosives volumes increased on the pcip in both the CIS and Africa. Explosives volumes in Europe were impacted by a decline in the Estonian oil shale market which led to customer plant closures. Postponed government spending on new projects in Norway resulted in lower tunnelling and construction activity.

EBS volumes increased on the pcip, from positive customer conversion in Norway, partly offset by negative product mix in Africa. Conventional detonator volumes were significantly impacted in the second half due to COVID-19 business disruptions across the region.

Cyanide volumes were lower than the pcip due to customer cost pressures in Africa.

EBIT

After a strong first half, EBIT in the second half was lower than the pcip, with mining activity significantly slowed by the COVID-19 pandemic. A continued shift from conventional detonators to EBS in Norway was offset by a negative mix shift towards conventional detonators in Africa, driven by a customer's price-led procurement strategy. Unfavourable FX movements on trade working capital further impacted EBIT.

Overall, a tightening in global cyanide demand led to a pricing benefit. This, together with management initiatives and a continued focus on cost efficiency partly offset the negative COVID-19 impact.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased six per cent on the pcip.

| Year ended 30 September | 2020 | 2019 | Change |
|---|-------|-------|--------|
| Total AN & Emulsion Volumes ('000 tonnes) | 450 | 444 | 1% |
| Total sales revenue (A\$M) | 912.4 | 911.2 | – |
| EBITDA ⁽⁸⁾ (A\$M) | 94.5 | 93.9 | 1% |
| EBIT ⁽¹⁾ (A\$M) | 62.4 | 67.9 | (8%) |

COMMODITY EXPOSURE

Despite a slowdown in infrastructure projects in the Nordics, Q&C remained the most significant commodity for the region during the year. Gold exposure decreased on the pcip, having been particularly impacted by COVID-19 in Africa, partly offset by pricing benefits from a tightening in global cyanide markets. Exposure to the phosphate market remained strong as a result of continued demand in the Commonwealth of Independent States (CIS).

PERFORMANCE DRIVERS

COVID-19

Early impacts from COVID-19 commenced in April 2020, with lockdowns enforced at customer mine and quarry sites in Belgium, Spain, Portugal and parts of the Nordics in the second half.

Mining activity impacts were varied across Africa, delaying growth in the key strategic market. Total lockdowns were mandated in South Africa and Namibia, and restrictions were imposed in many other countries

MINOVA

| Year ended 30 September | 2020 | 2019 | Change |
|--------------------------------|-------|-------|--------|
| Steel products ('000 tonnes) | 115 | 156 | (26%) |
| Resins & Powders ('000 tonnes) | 111 | 123 | (10%) |
| Total sales revenue (A\$M) | 470.7 | 595.1 | (21%) |
| EBITDA ⁽⁸⁾ (A\$M) | 32.2 | 24.3 | 33% |
| EBIT ⁽¹⁾ (A\$M) | 20.8 | 15.2 | 37% |

Performance drivers

Revenue was significantly impacted in the second half by COVID-19 related lockdowns in South Africa and India. Revenue was also driven lower by a reduction in steel surcharges and softer coal sector activity in the USA due to low natural gas prices.

In contrast, EBIT increased on the pcip due to pricing and supply chain improvements, manufacturing cost efficiencies together with the successful turnaround of the business which has continued a focus on overhead cost reduction.

ORICA MONITOR

| Year ended 30 September | 2020 A\$M | 2019 A\$M | Change |
|-------------------------|--------------|--------------|--------|
| EBIT ⁽¹⁾ | 20.3 | 22.3 | (9%) |

Performance drivers

The Orica Monitor segment comprises GroundProbe and Nitro Consult businesses.

GroundProbe sales were impacted in the second half by an increase in customers opting to lease radars over purchasing radars in a capital constrained environment. Remote geotechnical modelling revenue continues to rise, growing 28 per cent on the pcip.

Despite a favourable EBITDA result on the pcip, EBIT was lower due to a greater depreciation expense on the larger GroundProbe radar lease fleet. Following restructuring activity in underperforming areas of the business in the first half, Nitro Consult delivered a positive full year EBIT result.

GLOBAL SUPPORT

| Year ended 30 September | 2020 A\$M | 2019 A\$M | Change |
|-------------------------|--------------|--------------|--------|
| EBIT ⁽¹⁾ | (68.8) | (59.3) | (16%) |

Global Support costs increased on the pcip, notably from arbitration costs associated with the Burrup plant.

NET INTEREST EXPENSE

The net interest expense of \$150 million increased on the pcip as a result of a higher unwinding of discount on provisions (non-cash), primarily as a result of a material decline in the discount rate applied to remeasure provisions as at 30 September 2020, combined with the recognition of interest expense on leases in accordance with AASB 16 *Leases*, effective from 1 October 2019.

| Year ended 30 September | 2020 A\$M | 2019 A\$M | Variance A\$M |
|---|----------------|----------------|------------------|
| Net interest expense excluding unwinding of discount on provisions and lease interest | (88.8) | (100.4) | 11.6 |
| Unwinding of discount on provisions | (48.2) | (9.3) | (38.9) |
| Lease interest | (12.6) | n/a | (12.6) |
| Net interest | (149.6) | (109.7) | (39.9) |

TAX EXPENSE

The effective rate of 32 per cent is in line with pcpr.

GROUP CASH FLOW

| Year ended 30 September | 2020 A\$M | 2019 A\$M | Variance A\$M |
|---|----------------|----------------|------------------|
| Net Operating cash flows ⁽⁴⁾ | 277.4 | 746.4 | (469.0) |
| Net Investing cash flows ⁽¹⁰⁾ | (660.4) | (368.4) | (292.0) |
| Net Operating and Investing cash flows | (383.0) | 378.0 | (761.0) |
| Dividends – Orica Limited | (179.4) | (177.2) | (2.2) |
| Dividends – non-controlling interest shareholders | (11.3) | (18.0) | 6.7 |
| Adjusted net cash flows | (573.7) | 182.8 | (756.5) |
| Movement in borrowings and other net financing cash flows ⁽¹¹⁾ | 1,126.6 | (296.3) | 1,422.9 |
| Net cash flow inflow/(outflow)⁽¹²⁾ | 552.9 | (113.5) | 666.4 |

Performance highlights

Net Operating cash flows

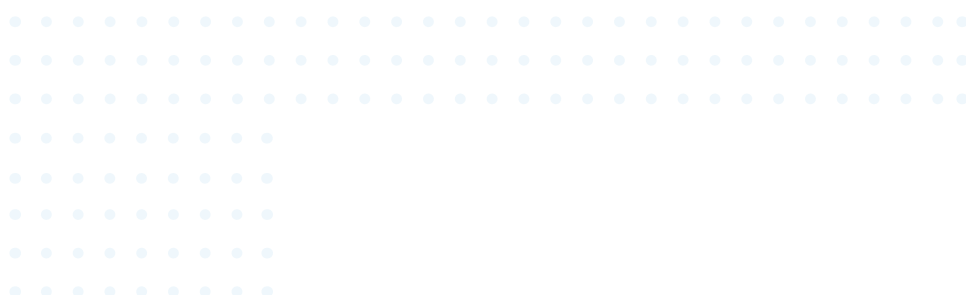
Net cash generated from operating activities was impacted by an increase in working capital and lower earnings.

Net Investing cash flows

The increase in investing cash flows relates largely to the acquisition of Exsa capital expenditure.

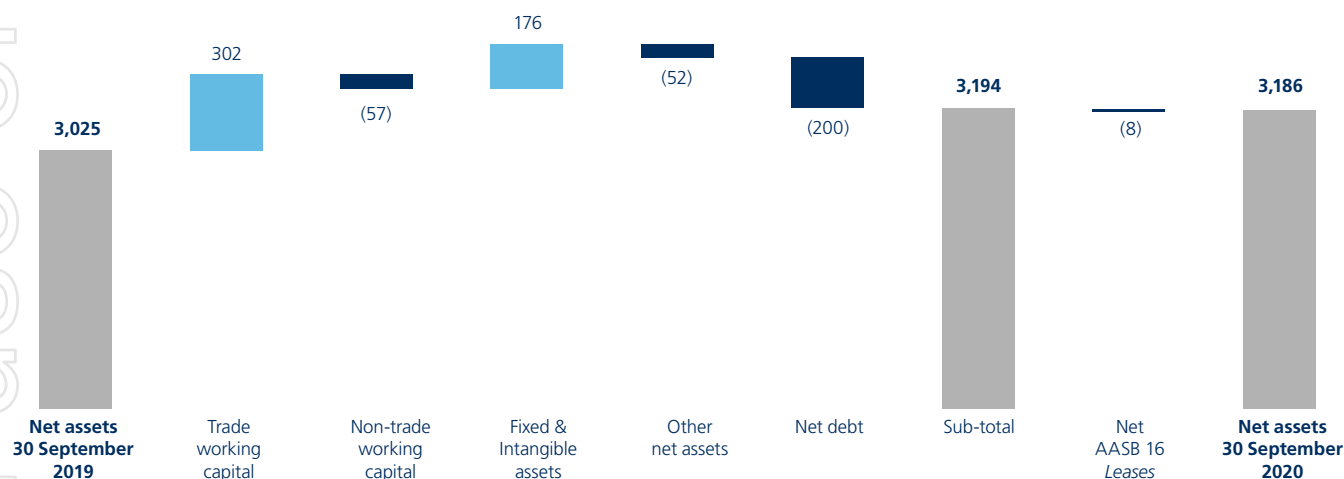
Movement in borrowings and other net financing cash flows

The cash inflow comprises \$505 million in new equity through the equity raising in February 2020 to fund the Exsa acquisition and net borrowings of \$682 million from debt facilities which includes the recent US Private Placement in June of \$725 million.



GROUP BALANCE SHEET

Movement in net assets (A\$M)



Performance highlights

Trade working capital⁽¹³⁾ increased by \$302 million on the pcg, including acquired Exsa trade working capital and significant items. Debtors increased by \$156 million. The impact of initial billing delays following the implementation of the SAP system has materially contributed to the increase. Creditors decreased by \$124 million as a consequence of softer trading conditions caused by COVID-19 and a planned alignment of payment terms following the SAP system implementation. Inventory increased by \$22 million on the pcg due to Exsa; excluding Exsa underlying inventory was down \$34 million in response to lower demand due to COVID-19.

Non-trade working capital⁽¹⁴⁾ was impacted by increased environmental and decommissioning provisions including significant items, partly offset by higher non-trade debtors.

Fixed & Intangible assets increased by \$176 million from the pcg due to additions of \$511 million and acquired Exsa assets of \$254 million which were partly offset by disposals of \$6 million, depreciation and amortisation expense and impairment charges totalling \$377 million, as well as a foreign exchange translation impact of \$206 million.

Other net assets decreased by \$52 million from the pcg, driven by the revaluation of financial instruments resulting from strengthening of the Australian Dollar.

AASB 16 Leases which became effective from 1 October 2019 resulted in a net \$8 million decrease in net assets from 30 September 2019.

BALANCE SHEET STRENGTH

Orica's balance sheet remains healthy, with significant headroom against both the gearing and interest cover debt covenants. Undrawn committed bank facilities of \$1,510 million, complemented by cash of \$921 million provides for a strong liquidity position.

Proactive pre-financing and refinancing of committed bank facilities, complemented by the recent US Private Placement bond issue results in limited near term refinancing requirements. Cash proceeds resulting from the bond issue are reflected in cash on hand at 30 September 2020. The bond issue was undertaken to refinance an existing October 2020 maturity (\$469 million).

As we continue to face a period of uncertainty in the COVID-19 environment, Orica has remained focused on cash preservation. This includes placing a hold on discretionary spend and reviewing capital expenditure for opportunities for deferment.

Our strong financial position provides flexibility to invest for the future and positions Orica well for when normalised mining growth returns.

DEBT MANAGEMENT AND LIQUIDITY

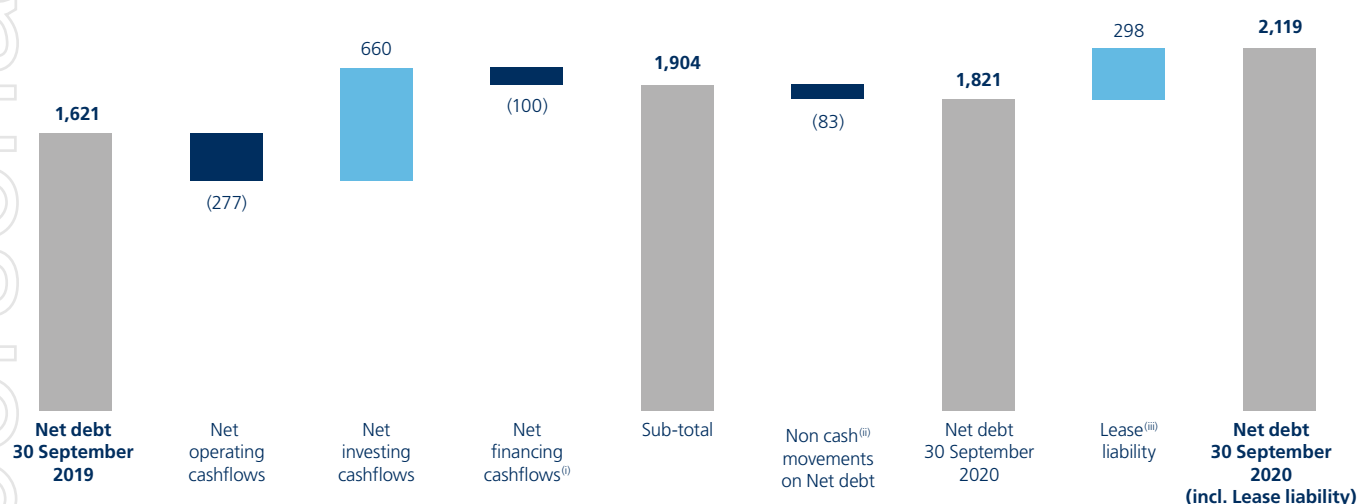
| As at 30 September | 2020 A\$M | 2019 A\$M | Variance A\$M |
|--|--------------|--------------|------------------|
| Interest bearing liabilities – excluding lease liabilities | (2,741.0) | (2,032.8) | (708.2) |
| Less: Cash and cash equivalents | 920.5 | 412.6 | 507.9 |
| Net debt ⁽⁶⁾ | (1,820.5) | (1,620.2) | (200.3) |
| Lease liabilities | (298.7) | (0.4) | (298.3) |
| Net debt – including lease liabilities | (2,119.2) | (1,620.6) | (498.6) |
| Gearing % – excluding Lease liabilities | 36.4% | 34.9% | 1.5pts |

Interest bearing liabilities of \$2,741 million comprise \$2,588 million of US Private Placements and \$153 million of committed and other bank facilities. The average tenor of drawn debt is 5.0 years (2019 4.7 years).

Gearing excluding lease liabilities at 36.4 per cent is within the Group's target range of 30-40 per cent.

The chart below illustrates the movement in net debt from 30 September 2020.

Movement in net debt (A\$M)



(i) Includes debt of \$155 million assumed on acquisition of Exsa and subsequently paid down by Orica.

(ii) Non-cash movements on Net debt comprise foreign exchange translation.

(iii) Commenced 1 October 2019 under AASB 16 Leases.

INDIVIDUALLY SIGNIFICANT ITEMS

| Financial year ended 30 September 2020 | Gross A\$M | Tax A\$M | Net A\$M |
|---|----------------|-------------|----------------|
| Initiating systems network optimisation | (80.1) | 13.0 | (67.1) |
| Impairment expense | (63.4) | 18.7 | (44.7) |
| Operating model restructuring | (26.9) | 7.7 | (19.2) |
| Individually significant items attributable to shareholders of Orica | (170.4) | 39.4 | (131.0) |

Initiating systems network optimisation

As part of the network optimisation program within our strategic priorities, the Minden, Hallowell (USA) and Tappen (Canada) plants will cease production. The resulting expense includes an impairment to Property, Plant and Equipment (\$33 million), increase in environmental and decommissioning provision (\$28 million), redundancies (\$8 million) and inventory write offs (\$11 million).

Impairment expense

The impairment review and the transition to the new SAP operating system led to the identification of \$63 million of legacy IT assets that would no longer be utilised by the business.

Operating model restructuring

Headcount reductions as part of the ongoing review of the organisational structure resulted in redundancy costs of \$27 million.

DIVIDEND

Our strong result, healthy balance sheet and confidence in the future have enabled us to maintain a dividend, reduced to reflect continuing uncertainty in our operating environment.

The Board has declared a final ordinary dividend of 16.5 cents per share, unfranked. The dividend represents a payout ratio⁽¹⁵⁾ of 50 per cent. This brings the full year dividend to 33.0 cents per share, and a full year payout ratio of 45 per cent.

The dividend is payable to shareholders on 15 January 2021 and shareholders registered as at the close of business on 1 December 2020 will be eligible for the final dividend. It is anticipated that dividends in the near future will be franked at no more than 20 per cent.

STRATEGIC PRIORITIES

Supporting our strategic objectives, we have a clear roadmap which focuses on moving towards leaner, more efficient operations and profitable growth, both of which are Orica's key value drivers over the medium to long-term.

Exsa acquisition

The acquisition of Exsa represented a major milestone in a key strategic region with synergies to be unlocked in particular from the state-of-the-art, underutilised manufacturing facility at Lurin. Since the

acquisition, Exsa plants have begun producing Orica branded product, and synergistic benefits have materialised from October 2020. The acquisition is on track to achieve over \$50 million EBITDA contribution in 2023 financial year, including approximately \$25 million in synergies.

Initiating systems network and portfolio product optimisation

The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This is expected to result in an increase in average IS plant utilisation from 48 per cent to around 75 per cent by 2023 and 80 per cent by 2024.

During the 2020 financial year, the program has progressed with plant closures in North America having been announced. However, SKU rationalisation was slowed during the SAP system transition with prior momentum to be re-gained during the 2021 financial year.

Manufacturing reliability

During the year, the average OEE of all continuous AN plants exceeded the targeted 80 per cent. The network was further strengthened by the commencement of production at the Burrup plant which will deliver an annualised EBIT of approximately \$25 million going forward. An expected increase in cyanide production and an ongoing focus on maintaining our plants'

strong manufacturing reliability will continue to support our strategic objectives.

Operating model execution

With the completion of the final phase of the SAP project, benefits will begin being embedded across the business. A major component of this is an ongoing review of the organisational structure which will be streamlined and aligned with the standardised end-to-end processes and increased automation of the SAP system.

A 20 per cent annualised cash return on investment on the SAP project of approximately \$60 million is expected by the 2023 financial year, with the improvements spread evenly over the next three years.

Technology rollout

Our penetration of new technology offerings continues, with particularly strong uptake of our digital solutions in the 2020 financial year. Although new WebGen™ trials have largely been paused due to challenges from COVID-19 in accessing mines and mobilising the relevant personnel, strong market demand remains and will continue to grow when normalised mining activity returns. The introduction of WebGen™ 200 together with achieving critical mass will drive profitable growth.

The EBIT uplift from new technology in the 2021 financial year is expected to be approximately \$15 million, subject to global recovery from COVID-19 in the second half.

OUTLOOK

COVID-19 recovery

Timing of recovery in markets across the globe is difficult to predict. Mining continues to be considered an essential service in key markets however challenges are anticipated to be significant through at least the first half of the 2021 financial year with some potential improvement in the second half.

A pre COVID-19 run rate is expected to be realised in developed countries, while developing countries continue to battle prolonged and more severe impacts than previously anticipated.

2021 financial year

EBIT for the first half of 2021 is expected to be lower than the pc, followed by substantial improvement in the second half, with overall EBIT growth for the full year. This is based on current expectations that COVID-19 will continue to impact our business in the first half, but conditions will improve in the second half. Our focus will remain on controllable factors, realising initial benefits from our strategic priorities and our solid platform for growth.

Based on the current view of mining activity, AN volume, excluding Exsa, is expected to grow by approximately one per cent on the 2020 financial year.

We expect the initiatives from our strategic priorities to deliver between \$40 million and \$50 million EBIT benefit in the 2021 financial year, weighted more to the second half from:

- Initiating systems network & product portfolio optimisation
- Operating model execution
- Technology rollout

Exsa AN volumes for the 2021 financial year are expected to be approximately three times that of the pc, given a full year of contribution. Realisation of synergies is expected to start ramping up in the second half of the 2021 financial year.

Positive EBIT contribution is expected from Burrup in its first full year of production.

Capital expenditure is expected to be \$380 million to \$400 million, excluding Burrup but including capital required for the newly acquired Exsa business. We will maintain our focus on our balance sheet strength and liquidity position.

Depreciation and amortisation expense is expected to increase by around 30 per cent, largely attributable to depreciation from Burrup, the SAP system and Exsa.

Integrated within our strategic priorities is our objective of moving towards a decarbonised environment and achieving climate-resilient economic growth.

FORWARD-LOOKING STATEMENTS

The Review of Operations has been prepared by Orica Limited. The information contained is for informational purposes only. The information contained in the Review of Operations is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. The Review of Operations has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of

the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Orica Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this presentation. In particular, no representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in the Review of Operations. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies.

Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Past performance is no guarantee of future performance.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (NON-IFRS) INFORMATION

The Review of Operations makes reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor. The 2020 Full Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

Footnotes

The following footnotes apply to the Review of Operations:

- | | | |
|--|--|--|
| <p>(1) Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 1(b) to the financial statements before individually significant items.</p> <p>(2) Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited, as disclosed in Note 1(b) to the financial statements.</p> <p>(3) Basic earnings per share before individually significant items as disclosed in Note 2 to the financial statements.</p> <p>(4) Equivalent to net cash flows from operating activities, as disclosed in the Statement of Cash Flows.</p> | <p>(5) Comprises spend on property, plant and equipment and intangible assets, on an accruals basis for the 2020 financial year to align with SAP reporting, and on a cash basis in prior years.</p> <p>(6) Total interest bearing liabilities – excluding lease liabilities less cash and cash equivalents, as disclosed in Note 3 to the financial statements.</p> <p>(7) Net debt/(net debt + total equity) where net debt excludes lease liabilities as disclosed in Note 3 to the financial statements.</p> <p>(8) EBIT before individually significant items plus depreciation and amortisation expense.</p> <p>(9) Quarry and construction.</p> | <p>(10) Equivalent to net cash flows used in investing activities, as disclosed in the Statement of Cash Flows.</p> <p>(11) Equivalent to net cash used in financing activities (as disclosed in the Statement of Cash Flows) excluding dividends paid to Orica ordinary shareholders and non-controlling interests.</p> <p>(12) Equivalent to net increase/(decrease) in cash held, as disclosed in the Statement of Cash Flows.</p> <p>(13) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet.</p> <p>(14) Comprises other receivables, other payables and provisions, as disclosed in the Balance Sheet.</p> <p>(15) Dividend amount/NPAT before individually significant items.</p> |
|--|--|--|

DIRECTORS' REPORT

The Directors of Orica Limited ('the Company' or 'Orica') present the Annual Report of the Company and its controlled entities (collectively 'the Group') for the year ended 30 September 2020 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are:

M W Broomhead, Chairman
M N Brenner
Lim C O (retired 31 October 2019)
K A Moses
J R Beevers (appointed 1 February 2020)

A Calderon, Managing Director and Chief Executive Officer ('CEO')
Boon S F
D W Gibson
G T Tilbrook

On 1 March 2020, E O'Connor and K Anderson Llewellyn were each appointed as Company Secretary of Orica Limited. This position was previously held by K Gray.

Particulars of Directors' and Company Secretary qualifications, experience and special responsibilities are detailed in the Annual Report.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the directors of the Company during the financial year are listed below:

| Director | Scheduled Board Meetings ⁽¹⁾ | | Audit and Risk Committee ⁽¹⁾ | | Human Resources and Compensation Committee ⁽¹⁾ | | Nominations Committee ⁽¹⁾ | | Safety, Health, Environment, Community & Security Committee ⁽¹⁾ | | Innovation and Technology Committee ⁽¹⁾ | |
|------------------------------|---|----------|---|----------|---|----------|--------------------------------------|----------|--|----------|--|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| M W Broomhead ⁽²⁾ | 11 | 11 | – | – | – | – | 6 | 6 | – | – | 1 | 1 |
| M N Brenner | 11 | 11 | 5 | 5 | 6 | 6 | 6 | 6 | – | – | – | – |
| A Calderon ⁽³⁾ | 11 | 11 | – | – | – | – | – | – | – | – | – | – |
| D W Gibson | 11 | 11 | – | – | 6 | 6 | 6 | 6 | – | – | 4 | 4 |
| K A Moses | 11 | 11 | – | – | 6 | 6 | 6 | 6 | 5 | 5 | – | – |
| Boon S F | 11 | 11 | 5 | 5 | – | – | 6 | 6 | – | – | 4 | 4 |
| G T Tilbrook | 11 | 11 | 5 | 5 | – | – | 6 | 6 | 5 | 5 | – | – |
| J R Beevers ⁽⁴⁾ | 6 | 6 | – | – | – | – | 4 | 4 | 4 | 4 | 3 | 3 |
| Former | | | | | | | | | | | | |
| Lim C O ⁽⁵⁾ | 3 | 2 | – | – | 2 | 2 | 1 | 1 | 1 | 1 | – | – |

(1) Shows the number of meetings held and attended by each Director during the period the Director was a member of the Board or Committee.

(2) The Chairman of the Orica Board attends all Board Committee meetings as an 'ex officio' member of that Committee.

(3) The Managing Director and CEO attends Committee meetings on an 'as needs' basis.

(4) Mr J R Beevers was appointed to the Orica Board on 1 February 2020 and joined the Safety, Health, Environment, Community & Security Committee and the Innovation & Technology Committee on the 1 February 2020.

(5) Mr Lim Chee Onn retired from the Orica Board & Committees effective 31 October 2019.

DIRECTORS' INTERESTS IN SHARE CAPITAL

The relevant interest of each Director in the share capital of the Company is disclosed in the Remuneration Report.

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the financial year were the manufacture and distribution of commercial blasting systems including technical services and solutions, mining and tunnelling support systems to the mining and infrastructure markets, and various chemical products and services.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group and the expected results of those operations are covered generally in the review of operations and financial performance of the Group in the Annual Report.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the Group during the financial year and of the results of those operations is contained in the Annual Report.

DIRECTORS' REPORT (Continued)

CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year ended 30 September 2020.

DIVIDENDS

| Dividends paid or declared since the end of the previous financial year were: | \$m |
|--|--------------|
| Final dividend at the rate of 33.0 cents per share on ordinary shares, 15.2% franked at 30%, paid 13 December 2019 | 125.6 |
| Interim dividend declared at the rate of 16.5 cents per share on ordinary shares, unfranked, paid 8 July 2020 | 67.0 |
| Total dividends paid | 192.6 |

Since the end of the financial year, the Directors have declared a final dividend to be paid at the rate of 16.5 cents per share on ordinary shares. This dividend will be unfranked.

EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

On 19 November 2020, the Directors declared a final dividend of 16.5 cents per ordinary share payable on 15 January 2021. The financial effect of this dividend is not included in the Annual Report for the year ended 30 September 2020 and will be recognised in the FY2021 Annual Report.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2020, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

ENVIRONMENTAL REGULATIONS

Orica seeks to be compliant with applicable environmental laws and regulatory permissions relevant to its operations. Where instances of non-compliance occur, Orica's procedures require that relevant governmental authorities are notified in accordance with statutory requirements and internal investigations are conducted to determine the cause of the non-compliance to ensure the risk of recurrence is minimised.

The Company has committed major investments, both in terms of capital and resources, to improve its environmental performance at key sites in addition to its general maintenance program. The Company is working closely and co-operatively with regulators and government agencies in relation to these initiatives, as well as enhancing community engagement and consultation.

More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found on the Orica website – www.orica.com/sustainability.

INDEMNIFICATION OF OFFICERS

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, the Secretaries and other Executive officers, against liabilities incurred whilst acting in good faith as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors and, in certain instances, specific indemnities have been provided. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium in respect of a contract insuring officers of the Company and of its controlled entities, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The insurance contract prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, performed certain other services in addition to its audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor's independence as set out in *APES 110 Code of Ethics for Professional Accountants (Including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 71 of the Annual Report and forms part of this Directors' Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are disclosed in note 21 to the Annual Report.

DIRECTORS' REPORT (Continued)

COVER LETTER (UNAUDITED) TO THE REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present Orica's 2020 Remuneration Report, for which we seek your support at our Annual General Meeting.

PERFORMANCE ALIGNMENT AND IMPACT OF COVID-19

The 2020 financial year for Orica has been a year like no other with severe natural disasters in the first half, followed by the COVID-19 global pandemic in the second half. All employees across Orica have responded extremely well, and in relation to the pandemic have implemented measures to keep our people safe and well, maintaining reliable and safe operations, and supporting our local communities. Against this backdrop we have also managed to successfully deliver on all planned strategic initiatives and continue to build a strong platform for growth. On behalf of the Board, I would like to thank all of our employees for their significant effort and commitment throughout this unprecedented period.

While site closures in certain countries and travel restrictions initially disrupted portions of the workforce, a large majority of our employees have been able to continue working through the pandemic, including many flexibly at home. For our many manufacturing and operational employees who needed to work on-site, we took steps to adapt our workplaces to new regulations on social distancing and established new processes to ensure safe and productive work environments. We have maintained a strong relationship with the local communities in which we operate. There are many examples of our employees providing support to those communities including the provision of sanitising and personal protective equipment to those impacted by the pandemic.

With mining activities deemed as an essential service in most countries around the world, business impact due to COVID-19 was mixed based on geography. We have seen limited business impact in Australia, the United States of America and CIS countries, with Canada slowly recovering. However, demand in Peru, Colombia, Mexico, India, South Africa and parts of Europe and Asia has been adversely affected in the second half as the COVID-19 impact has been harsher and more sustained.

The business delivered a solid result in the first half which was in line with the Board's expectations, despite COVID-19 starting to gain momentum in March. Based on our knowledge at the time of our first half results in May as COVID-19 was beginning to peak, we expected Ammonium Nitrate volume demand to drop between 10-15% against expectations in the second half. Our year-end Earnings Before Interest and Tax (EBIT) result is broadly in line with these expectations.

We are pleased that despite a reduced EBIT compared to last year, we have been able to maintain distributions to shareholders which is reflective of strong balance sheet management and commitment to shareholder returns.

SHORT-TERM INCENTIVE

The impact of COVID-19 on the Group's performance was carefully considered in determining the award of this year's short-term incentive outcomes.

Group financial EBIT and Return on Net Assets (RONA) targets were based on the budget set prior to COVID-19. Outcomes for these metrics were significantly impacted by reduced demand in the second half of the year, which resulted in a below threshold outcome being achieved against both EBIT and RONA measures.

Excellent safety performance was achieved in FY2020 with a significant improvement in Serious Injury Case Rate (SICR) performance from the prior year. Measures relating to Key Control Verifications (KCV) and close out of critical actions were achieved at maximum performance at a Group level, both improving on prior year performance, reflecting the relentless focus within Orica to pro-actively manage and mitigate major hazards across the organisation. Importantly there were no fatalities in FY2020.

The final outcome for the CEO was 45.2% of his target opportunity (22.6% of maximum) and for other Executive Key Management Personnel (KMP) outcomes ranged between 37.6% and 82.6% of target. The performance of management was commendable throughout the second half of FY2020 with no interruption of supply to any customer, and the completion of both our SAP implementation and integration of Exsa remotely given workplace restrictions. However, given the impact of COVID-19 on the activity of our customers' mining operations and the resulting decline in EBIT, the Board considers the outcomes fairly reflect the shareholder experience during this period. STI outcomes and commentary are provided in Section 3.2 of this report.

LONG-TERM INCENTIVE

There was partial vesting (77.15% of the total award) of the LTI awards granted in FY2017, with the performance period ending on 30 September 2019 and tested in November 2019. The Relative Total Shareholder Return (RTSR) metric was achieved at upper quartile vesting and the average Return on Capital (ROC) performance was achieved between target and maximum. In determining the outcome, the Board exercised its discretion to adjust for significant items to ensure they neither benefited nor disadvantaged management. This is noted in Section 3.3 of this report.

It is not anticipated that LTI awards granted in FY2018 (performance period ending on 30 September 2020 and tested in November 2020) will vest due to the average RONA performance being below the required threshold. It is expected that the decline in earnings in FY2020 due to the impact of COVID-19 will also have a detrimental impact on the two other LTIP grants currently on foot (FY2019 and FY2020) which are solely based on RONA performance. The Board will continue to review the appropriateness of the LTI targets within these plans in the context of COVID-19.

DIRECTORS' REPORT (Continued)

CHANGES IN FY2020

During the year, no material changes were made to our remuneration framework, however two Safety, Health and Environment (SHE) metrics were refined to improve the measures as indicators of SHE performance. This is discussed in more detail in section 3.1 of this report. Further, based on feedback from investors, to enable shareholders to better understand how Short-Term Incentive (STI) outcomes are derived we have enhanced our STI disclosure to include the FY2020 target and the weighted outcome for each scorecard measure.

The Board did spend time strengthening the assessment of Executive performance when determining individual incentive outcomes. Leveraging our SAP investment, we have incorporated a process that aims to provide greater insight. This involves formalised feedback to the Board from functional leaders, the CEO and Chairs of each Board Committee. These insights are key inputs into the final determination of performance outcomes, including the overall exercise of discretion, which remains a key element of our framework.

Two members of the Executive KMP received increases in Fixed Annual Remuneration (FAR) – Christopher Davis (Chief Financial Officer) in recognition of his performance in the role since his appointment in October 2018 and to better align to market benchmarks, and Germán Morales (President Latin America & Supply) to reflect the additional scope of responsibilities in his role leading our Global Supply Chain function as well as integration of the newly acquired Exsa business in Peru. These increases were effective 1 January and 1 March 2020, respectively.

With respect to KMP changes, Sanjeev Gandhi joined the organisation in July 2020 as President, Australia Pacific and Asia and further strengthens Orica's world class leadership team. The Board also welcomed John Beevers as a Non-Executive Director in February 2020 while Lim Chee Onn retired from the Board having served since 2010.

EXECUTIVE REMUNERATION FOR FY2021

Each year the Board tests the measures used to reward short and long-term performance so that they reflect the most relevant drivers of value in our business and remain aligned to Orica's strategic direction. While there will be no changes to the incentive structure or opportunity levels in FY2021, we will be making certain changes to our STI metrics. We will update two of our SHE metrics to replace existing lead indicators with outcome-based measures, including tracking high potential incidents. We recognise the importance of monitoring the environmental impact of our operations and in FY2021 we will include a metric which measures the Loss of Containment as one of our key potential impacts to the environment. Finally, a 'Cash Generation Efficiency' metric will be introduced to reflect the importance of cash flow in driving our on-going financial strength. More information on these new changes is outlined in Section 2 of this report.

The last major change to our remuneration framework was implemented at the start of FY2018 and was developed to support a transformation program aimed at optimising Orica's operating and capital efficiency. With large parts of this transformation now delivered, the Board intends to commence a formal review of the Executive Remuneration Framework in the coming year. The review will focus on ensuring the framework remains aligned to Orica's strategy, enables us to attract, engage and retain talent, motivates our people to deliver their best performance and aligns the interests of executives with our shareholders. Similar to the consultative engagement program we undertook before the last change in FY2018, we look forward to engaging with shareholders as we undergo this review process.

It remains our intention to encourage open dialogue with shareholders and other stakeholders, particularly around our remuneration practices and disclosures, and accordingly I welcome any feedback.

Yours faithfully,

Maxine Brenner

Chairman, Human Resources and Compensation Committee

19 November 2020

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED)

EXECUTIVE SUMMARY

Remuneration Strategy and outcomes linked to business strategy and performance

At Orica, remuneration is linked to the drivers of our business strategy, helping to create long-term success for shareholders. The at-risk components of remuneration are tied to measures that reflect operating and capital efficiencies in both the short and long-term. Strategic drivers are reflected in STI and LTI performance measures – so that Executive incentives are linked to actual performance. The diagram below provides an overview of the Framework and the specific performance linkages. Key terms of the STI and LTI Plans are outlined in Section 3.1.

| Our strategic drivers... | are reflected in STI and LTI performance measures... | so Orica's actual performance in FY2020... | links to what Executives are paid. |
|--------------------------------------|---|---|---|
| Safety, Health & Environment | Reduce the number of serious injuries and mitigate and manage risk from major hazards | SICR rates fell to the lowest level since FY2016 as a result of a strong focus on preventing serious injuries. Maximum performance achieved for KCVs and close out of critical actions reflecting strong operational discipline. | |
| Business Transformation | EBIT Sustainably increase productivity and devolve responsibility to regional businesses. | Solid result in first half however final EBIT outcome was below threshold, predominantly due to reduced demand and increased freight costs in the second half of the year as a result of the COVID-19 pandemic | CEO STI outcome in FY2020 = 45.2% of target (22.6% of maximum) Average STI in FY2020 for Executive KMP, including the CEO = 58.3% of target (29.2% of maximum) |
| | RONA Drive sustainable productivity improvement and efficient capital allocation. | RONA outcome was below threshold, being significantly impacted by COVID-19 pandemic in second half of the year. | |
| | Personal objectives for each Executive (other than the CEO) reflect strategic priorities including enhancing Orica's development and use of technology, operating efficiency and adjacency growth. ⁽¹⁾ | Progress on commercialisation of new technology despite COVID-19 impact limiting customer site access, implementation of global SAP platform and successful completion of the Exsa transaction. Achievement against personal objectives was on average above target. | |
| Long-term shareholder value creation | RONA, together with holding locks Drive sustainable productivity improvement and efficient capital allocation. | During FY2020, the FY2017 award was eligible for testing against two performance measures – Relative Total Shareholder Return (RTSR) and ROC. Maximum performance was achieved against RTSR; while performance between target and maximum was achieved against the ROC measure. | Partial LTI vesting of FY2017-19 LTI (77.15% of LTI awarded) in FY2020 for the CEO and eligible Executive KMP. FY2018-20 LTI (to be tested in November 2020) is not anticipated to vest. |

(1) While not specifically included as an STI metric for the CEO, the Board continues to measure progress against rigorous, externally validated employee engagement and organisational health baselines and against plans to improve engagement and strengthen business conduct, ethics and compliance. Building and strengthening conduct and diversity is a specific focus area for the Human Resources and Compensation Committee and is included in the assessment of any exercise of discretion by the Board in relation to remuneration outcomes. The overall assessment of Executive performance was also strengthened when determining individual STI outcomes. Leveraging the SAP investment, a process has been implemented that aims to provide greater insight through formalised feedback from functional leads, the CEO and Chairs of each Board Committee.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

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DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 1. KEY MANAGEMENT PERSONNEL

1.1 Executive Key Management Personnel

The table below lists the Executives of the Company whose remuneration details are outlined in this Remuneration Report. These Executives, together with the Directors, are defined as Key Management Personnel (KMP) under Australian Accounting Standards. In this report, Executive KMP refers to the KMP other than the Non-Executive Directors. Non-Executive Directors have oversight of the strategic direction of the Company but have no direct involvement in the day-to-day management of the business.

| Name | Role in FY2020 | Commencement date in role | Country of Residence |
|--------------------------------|--|---------------------------|----------------------|
| Executive Director | | | |
| Alberto Calderon | Managing Director and CEO | 19 May 2015 | Australia |
| Executive KMP | | | |
| Christopher Davis | Chief Financial Officer | 1 October 2018 | Australia |
| James Bonnor | President – North America | 1 October 2015 | United States |
| Darryl Cuzzubbo | Chief Manufacturing Officer | 7 October 2019 | Australia |
| Sanjeev Gandhi ⁽¹⁾ | President – Australia Pacific & Asia | 20 July 2020 | Australia |
| Angus Melbourne ⁽²⁾ | Chief Commercial Officer | 1 October 2016 | Australia |
| Germán Morales | President – Latin America & Supply | 1 September 2018 | Chile |
| Thomas Schutte | President – Europe, Middle East and Africa | 1 October 2017 | United Kingdom |
| Former Executive KMP | | | |
| Carlos Duarte ⁽³⁾ | Group Executive, Manufacturing & Supply | 1 October 2017 | Australia |

(1) Effective 20 July 2020, Sanjeev Gandhi joined Orica as President – Australia Pacific & Asia. James Crough acted as interim President – Australia Pacific & Asia from 7 October 2019 until 20 July 2020. James Crough is not disclosed as an Executive KMP in this report on the basis that an executive acting in an interim capacity is not considered to have the same level of authority for planning, directing and controlling the entity as a permanent appointment to the role.

(2) Effective 1 December 2019, Angus Melbourne relocated from Singapore to Australia.

(3) Carlos Duarte, Group Executive Manufacturing & Supply, ceased to be a KMP on 7 October 2019. Carlos was not eligible to participate in the FY2020 STI plan or FY2020 LTI offer.

Particulars of Executives' qualifications, experience and responsibilities are detailed in the Annual Report.

1.2 Non-Executive Directors Key Management Personnel

The Non-Executive Directors who held office during FY2020 are set out below:

| Name | Role in FY2020 | Commencement date in role | Country of Residence |
|-----------------------------|----------------------------------|---------------------------|----------------------|
| Current Directors | | | |
| Malcolm Broomhead | Non-Executive Director, Chairman | 1 December 2015 | Australia |
| John Beevers | Non-Executive Director | 1 February 2020 | Australia |
| Maxine Brenner | Non-Executive Director | 8 April 2013 | Australia |
| Boon Swan Foo | Non-Executive Director | 6 May 2019 | Singapore |
| Denise Gibson | Non-Executive Director | 1 January 2018 | United States |
| Karen Moses | Non-Executive Director | 1 July 2016 | Australia |
| Gene Tilbrook | Non-Executive Director | 14 August 2013 | Australia |
| Former Directors | | | |
| Lim Chee Onn ⁽¹⁾ | Non-Executive Director | 12 July 2010 | Singapore |

(1) Ceased to be a director on 31 October 2019.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 2: KEY STAKEHOLDER QUESTIONS

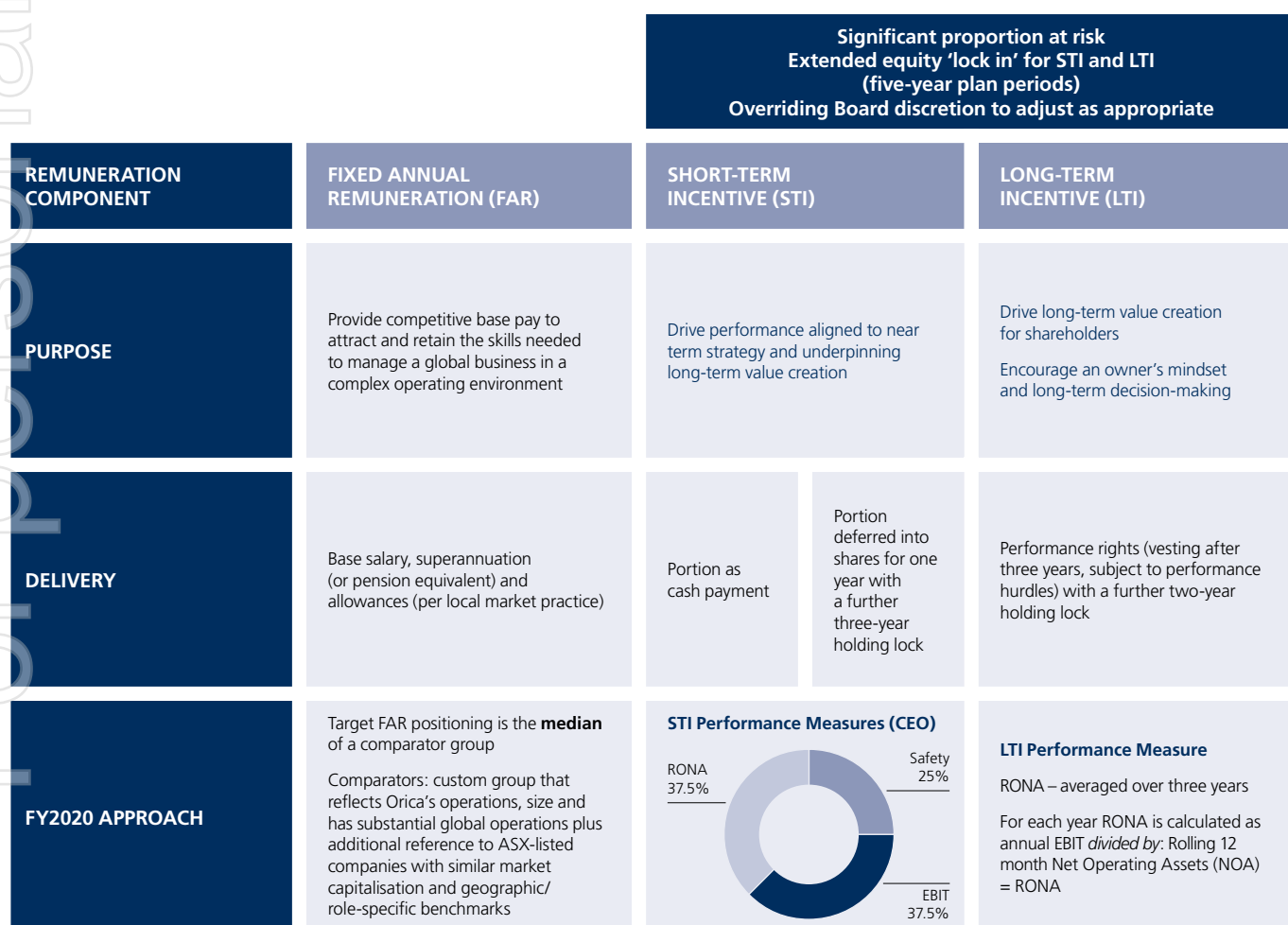
2.1 What is Orica's Executive remuneration strategy?

Orica's Executive Remuneration Strategy is illustrated below:



2.2 How is Executive remuneration structured?

Orica's FY2020 Executive Remuneration Framework focuses on delivery of the ongoing turnaround of the Company through operating safely, enhancing operating and capital efficiency and embedding those efficiencies for long-term improvement in capital returns. The inclusion of RONA as a standalone metric in both the STI and LTI plans reinforces the focus on sustainable productivity improvement and efficient capital allocation throughout Orica's transformation and across multiple time horizons. The diagram below provides an overview of the different remuneration components within the Framework.

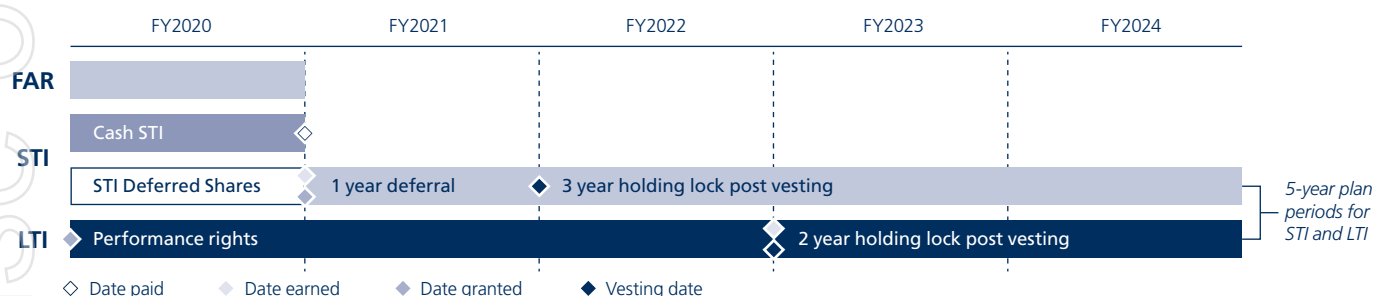


DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 2: KEY STAKEHOLDER QUESTIONS (continued)

2.3 When is remuneration earned and received?

Remuneration is structured to reward Executives progressively across different timeframes with an emphasis on alignment with shareholders through extended holding locks and a five-year effective holding period. The diagram below illustrates the period over which FY2020 remuneration is earned and delivered, and when holding locks are lifted.



2.4 What is the remuneration mix for Executive KMP?

The remuneration mix for Executive KMP is weighted towards variable (at-risk) remuneration to provide alignment with the interests of shareholders and to drive performance against Orica's short-term and long-term business objectives.

Assuming target STI and the face value of LTI granted to Executives the remuneration mix is as follows:

- CEO: 76% of his remuneration is performance-based pay of which 64% is delivered as deferred shares or performance rights.
- Other Executive KMP: 64% of their remuneration (on average) is performance-based pay of which 50% is delivered as deferred shares or performance rights.

LTI is granted at face value (based on the volume weighted average price (VWAP) of Orica shares during the five trading days following the full year results announcement, rounded down to the nearest whole number of rights).

| CEO | Performance-dependent | | |
|----------------------------|-----------------------|------------------|--|
| | FAR (24%) | Target STI (24%) | Face value of LTI grant (Performance Rights) (52%) |
| | | Cash (12%) | Def. Shares (12%) |
| Other Executives (average) | Performance-dependent | | |
| | FAR (36%) | Target STI (21%) | Face value of LTI grant (Performance Rights) (43%) |
| | | Cash (14%) | Def. Shares (7%) |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 2: KEY STAKEHOLDER QUESTIONS (continued)

2.5 How much did Executives get paid in FY2020?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY2020. Included in the value of prior year equity awards vested during the year is the face value of:

- deferred shares awarded as part of the FY2018 STI vesting in December 2019 but which remain subject to a holding lock until December 2022 (for selected overseas executives, where a tax liability arose at vesting, a portion of the deferred shares were released from restriction to settle the taxes due); and
- performance rights awarded as part of the FY2017-19 LTI Plan vesting in November 2019 (there were no holding locks applicable to shares acquired as a result of this vesting).

| | Fixed Pay ⁽¹⁾ \$000 | STI to be paid in cash ⁽²⁾ \$000 | Total cash payment \$000 | Prior year equity awards vested during year ⁽³⁾ \$000 | Other ⁽⁴⁾ \$000 | Total remuneration received \$000 |
|-------------------------------|-----------------------------------|---|--------------------------------|---|-------------------------------|--|
| Executives (KMP) | | | | | | |
| Alberto Calderon | 1,800.0 | 406.7 | 2,206.7 | 3,929.8 | 2.3 | 6,138.8 |
| Christopher Davis | 856.3 | 233.6 | 1,089.9 | 403.1 | 0.8 | 1,493.8 |
| James Bonnor | 940.5 | 200.6 | 1,141.1 | 966.1 | 342.0 | 2,449.2 |
| Darryl Cuzzubbo | 875.0 | 289.1 | 1,164.1 | 1,021.0 | 1.2 | 2,186.3 |
| Sanjeev Gandhi ⁽⁵⁾ | 205.1 | – | 205.1 | – | 191.4 | 396.5 |
| Angus Melbourne | 938.3 | 204.9 | 1,143.2 | 1,112.9 | 117.3 | 2,373.4 |
| Germán Morales | 708.1 | 179.3 | 887.4 | 131.8 | 51.9 | 1,071.1 |
| Thomas Schutte | 1,111.7 | 165.3 | 1,277.0 | 1,180.1 | 24.8 | 2,481.9 |
| Former Executive KMP | | | | | | |
| Carlos Duarte | 17.3 | – | 17.3 | 300.7 | – | 318.0 |
| Total | 7,452.3 | 1,679.5 | 9,131.8 | 9,045.5 | 731.7 | 18,909.0 |

(1) Fixed Pay includes actual base pay received and superannuation (or equivalent pension) contributions.

(2) FY2020 STI will be delivered in two components: cash and deferred shares that will vest 12 months post the grant date and then be subject to a three-year holding lock.

(3) This amount relates to the face value (using the share price at the vesting date) of deferred STI from FY2018 that vested in December 2019 but remains subject to holding locks and partial vesting of the FY2017-19 LTI Plan in November 2019.

(4) Includes cash value of relocation assistance, the cost of meeting tax filing obligations associated with international assignments, other benefits and allowances provided (where applicable). Movements in annual leave and long-service leave balances have not been shown.

(5) Represents remuneration and other benefits paid since appointment. Mr. Gandhi's Fixed Annual Remuneration has been set at \$1,000,000 AUD and he was not eligible to receive a short-term incentive in respect of FY2020.

Refer to section 6.1 – Executive KMP for remuneration table prepared in accordance with the accounting standards.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 2: KEY STAKEHOLDER QUESTIONS (continued)

2.6 What have been the historical incentive outcomes for the CEO?

The table below shows the incentive plan outcomes for the CEO since his appointment to the role in May 2015 (note that the first LTI Plan the CEO participated in was the FY2016-18 Plan).

| Financial Year (FY) | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---------------|---------------|---------------|---------------|----------|-------------------|
| EBIT | \$689.4m | \$642.2m | \$635.1m | \$618.1m | \$664.7m | \$604.5m |
| Share price at start of LTI performance period (\$) ⁽¹⁾ | 24.86 | 19.80 | 18.95 | 15.39 | 15.57 | 19.72 |
| FY end share price (\$) ⁽¹⁾ | 15.04 | 15.20 | 19.77 | 17.03 | 22.54 | 15.43 |
| STI (% of maximum) | 34% | 39% | 53% | 18% | 56% | 23% |
| Discretion exercised (STI) | Yes (reduced) | Yes (reduced) | Yes (reduced) | Yes (reduced) | No | No |
| LTI (% of rights vested) ⁽²⁾ | 0% | 0% | 0% | 24.88% | 77.15% | 0% ⁽³⁾ |

(1) References LTI plan with final performance year aligned to respective financial year (e.g. FY2019 shows share price at beginning of FY2017).

(2) Represents outcome of LTI plan with final performance year aligned to respective financial year (e.g. FY2019 shows outcome of FY2017-19 LTIP).

(3) Represents anticipated vesting for the FY2018-20 LTI Plan.

In assessing performance against incentive targets the Board has overriding discretion to adjust final outcomes under the terms of both the STI and LTI plans to ensure executive reward outcomes are reflective of Orica's overall performance and aligned to shareholder expectations. The Board has exercised discretion to reduce CEO outcomes in four of the last six financial years. Factors that the Board has considered in exercising discretion include safety performance and the impact of fatalities together with the overall alignment of executive outcomes to financial performance and shareholder returns.

2.7 How is the CEO's salary determined?

As outlined in Section 3.1, when reviewing the CEO's salary the Board considers market benchmarking information from a Primary Comparator Group (made up of similar companies with respect to size, industry and complexity) and a Secondary Comparator Group (made up of similar companies with respect to size only). The fixed annual remuneration of the current CEO was set in May 2015 on appointment to the role and has not been adjusted since this time. The total package has changed once since 2015 (in 2018) when a two-year year holding lock on vested LTI shares was introduced. To maintain the value of total remuneration, taking into account these incremental holding locks but discounting for dividends and other benefits of deferral, the LTI opportunity was increased from 180% to 215% from FY2018 onwards.

2.8 What changes are proposed for the Executive Remuneration Framework in FY2021?

The Safety metrics of KCVs and close out of critical actions have been in the STI plan for several years and have resulted in significant and positive behavioural changes and performance improvements across the company. The leading indicators, in particular, were important in focusing behaviour on the effective roll out of the Major Hazard Management program. Given the initiative is largely implemented, it is considered that an outcome-based measure is now a more relevant metric. Accordingly, KCVs and close out of critical actions measures will be replaced with a High Potential Incident Injury Ratio metric. A new environmental metric will also be introduced, reflecting our focus on minimising the impact of our operations on our environment. This metric will be linked to Loss of Containment. Serious Injury Case Rate (SICR), introduced in FY2019, will continue in FY2021. All three SHE metrics will be equally weighted in the CEO scorecard. The FY2021 SHE metrics are designed to drive and maintain performance improvements in fatality prevention, eliminate serious injury, proactive reporting and management of high potential incidents and reduce the environmental impact of our operations.

We will also introduce a cash-flow measure (Cash Generation Efficiency) alongside existing financial metrics in the STI scorecard. This metric effectively compares our net cash from operating activities (adjusted to exclude items such as cash outlays related to growth capital) against our Earnings Before Interest Tax Depreciation and Amortisation (EBITDA). This will reduce the weighting of the RONA metric in the STI plan as equal weighting (25%) will apply to each financial metric (EBIT, RONA and Cash Generation Efficiency) in the CEO's FY2021 STI scorecard, with the remaining 25% reflecting the new group of SHE metrics outlined above.

FY2021 CEO Scorecard

| Measure | Metric | Weighting (at target) |
|---|--------------------------------------|-----------------------|
| Safety, Health & Environment | Serious Injury Case Rate | 8.33% |
| | High Potential Incident Injury Ratio | 8.33% |
| | Loss of Containment | 8.33% |
| Financial | EBIT | 25.0% |
| | RONA | 25.0% |
| | Cash Generation Efficiency | 25.0% |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION

3.1 Executive Remuneration Framework

The following table outlines the FY2020 Executive Remuneration Framework.

| REMUNERATION POSITIONING | |
|-----------------------------|---|
| Market position | Median for FAR and between Median and 75th percentile for total remuneration where outstanding performance is delivered. |
| Comparators | <p>Primary comparator group – 17 listed companies from within the ASX100 in similar industries with at least 50% of revenue generated overseas and with market capitalisation of at least \$2bn.</p> <p>The primary comparator group was last reviewed as at 30 June 2019, and (excluding Orica) comprised the following companies: Amcor Limited, Ansell Limited, BHP Billiton Limited, BlueScope Steel Limited, Brambles Limited, Caltex Australia Limited, CSL Limited, Fortescue Metals Group Limited, James Hardie Industries Plc, Newcrest Mining Limited, Oil Search Limited, Orora Limited, Rio Tinto Limited, ResMed Inc, South 32 Limited, Woodside Petroleum Limited and Worley Parsons Limited.</p> <p>Secondary comparator group (reference) – ASX listed companies with market capitalisation between 50% and 200% of Orica's 12-month average market capitalisation, all as at 30 June of the relevant financial year. In addition, and particularly for roles located outside of Australia, where appropriate, additional sector or local industry specific data is taken into consideration in benchmarking Executive's remuneration.</p> |
| FAR | |
| Payment vehicle | FAR includes base salary, superannuation (or pension equivalent) and allowances (per local market practice). |
| STI | |
| Changes in FY2020 | STI metrics remain unchanged from those used in FY2019 except for minor changes to the calculation methodology for SICR (to exclude occupational disease or illness that are attributable to chronic exposure to harmful agents over an extended period of time, usually years) and close out of critical actions (to expand the number of actions captured by this metric). |
| Payment vehicle | Cash and deferred shares. |
| Opportunity | <p>CEO: 0% to 200% of FAR; 100% at target.</p> <p>Other Executives: 0% to 120% of FAR; 60% at target.</p> <p>For Executive KMP based outside of Australia opportunities are typically referenced to base salary only.</p> |
| Performance Measures | <p>CEO: Safety (25%); EBIT⁽¹⁾ (37.5%); RONA⁽²⁾ (37.5%).</p> <p>Other Executives (in general): Safety (18.0%); EBIT⁽¹⁾ (23.50%); RONA⁽²⁾ (23.50%); other strategic priorities (35%).</p> <p>For each measure, levels for threshold, target and maximum are set. Below threshold, no incentive is paid. Above threshold, straight-line vesting applies between threshold and target, and between target and maximum.</p> <p>For Regional Presidents, safety measures are solely based on Regional performance and financial metrics are more heavily weighted towards Regional outcomes reflecting the metrics and outcomes that are within the direct control of these KMP.</p> <p>While not specifically included as an STI metric for the CEO, the Board continues to measure progress against rigorous externally validated employee engagement, organisational health baselines, and against plans to improve engagement, strengthen business conduct and compliance frameworks. The determination of final performance outcomes for all Executives includes input from Board Committee Chairs and senior functional leaders (e.g., finance and safety).</p> |
| Deferred STI | <p>CEO: 50% of STI into deferred shares which vest after one-year and are subject to risk of forfeiture.</p> <p>Other Executives: one third of STI into deferred shares which vest after one-year and are subject to risk of forfeiture.</p> <p>The number of deferred shares granted is calculated using the five-day VWAP at the grant date immediately after the annual results are announced.</p> |
| Holding lock | CEO and other Executives: following the one-year deferral period, vested shares are subject to a further three-year holding lock during which time Executives are restricted from trading in shares. Disposal restrictions may be lifted where an Executive is required to fund personal tax obligations arising from the vesting of shares. |
| Access to dividends | During both the deferral and holding lock periods, Executives are entitled to accumulate dividends. |

(1) For STI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items

(2) For STI purposes, RONA is defined as EBIT/Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION (continued)

| LTI | | | | | | | | | | | | | | | |
|-------------------------------------|--|---------------------------|---------------------|-------------|------------|----------|--------------------|-------------------------|--|----------|--------------------|-------------------------|---|-------------------|---------------------|
| Payment vehicle | Performance rights. | | | | | | | | | | | | | | |
| Opportunity (face value) | <p>CEO: 215% of FAR grant at face value.</p> <p>Other Executives: 120% of FAR grant at face value.</p> <p>For Executive KMP based outside of Australia opportunities are referenced to base salary only.</p> <p>The actual number of performance rights issued to each Executive was determined by dividing their respective grant values by the five-day VWAP of Orica shares following the announcement of Orica's FY2019 annual results (\$23.80).</p> | | | | | | | | | | | | | | |
| Performance period | Performance is measured over three financial years (FY2020, FY2021 and FY2022). | | | | | | | | | | | | | | |
| Performance measure | RONA ⁽¹⁾ – calculated as annual EBIT ⁽²⁾ /rolling 12-month Net Operating Assets (calculated on an average basis over three financial years). | | | | | | | | | | | | | | |
| Targets and vesting schedule | <p>The FY2020 vesting schedule for the RONA performance measure is as follows:</p> <table border="1"> <thead> <tr> <th>Average RONA over 3 years</th><th>% of Rights vesting</th></tr> </thead> <tbody> <tr> <td>Below 13.4%</td><td>No vesting</td></tr> <tr> <td>At 13.4%</td><td>30% of rights vest</td></tr> <tr> <td>Between 13.4% and 14.5%</td><td>Straight line vesting between 30% and 60% of rights vest</td></tr> <tr> <td>At 14.5%</td><td>60% of rights vest</td></tr> <tr> <td>Between 14.5% and 15.5%</td><td>Straight line vesting between 60% and 100% of rights vest</td></tr> <tr> <td>At or above 15.5%</td><td>100% of rights vest</td></tr> </tbody> </table> <p>RONA targets reflect the Board's expectations for returns through the current industry/market cycle, Orica's Corporate Plan and Transformation Program. For the FY2020-22 LTI grant, the RONA required for maximum (stretch) vesting has again been set to reflect the achievement of RONA levels that generate long-term value for shareholders.</p> <p>To achieve this, management must deliver EBIT growth rates over the plan period that are at least in line with 2nd quartile of EBIT growth rates achieved by ASX100 Industrials and Materials companies over the preceding three to five years. To achieve target or above-target vesting for this grant, management must deliver EBIT growth that is significantly above the Board's view of underlying explosives market growth.</p> <p>The impact of IFRS-16 has been considered when setting the vesting schedule for the FY2020-22 LTI plan. The requirement to recognise leases on the balance sheet results in higher Net Operating Assets leading to a lower RONA on a comparative basis. On a like for like basis if the impact of IFRS-16 is excluded, the RONA target range for the FY2020-22 LTI is set at a performance level higher than the previous grant.</p> | Average RONA over 3 years | % of Rights vesting | Below 13.4% | No vesting | At 13.4% | 30% of rights vest | Between 13.4% and 14.5% | Straight line vesting between 30% and 60% of rights vest | At 14.5% | 60% of rights vest | Between 14.5% and 15.5% | Straight line vesting between 60% and 100% of rights vest | At or above 15.5% | 100% of rights vest |
| Average RONA over 3 years | % of Rights vesting | | | | | | | | | | | | | | |
| Below 13.4% | No vesting | | | | | | | | | | | | | | |
| At 13.4% | 30% of rights vest | | | | | | | | | | | | | | |
| Between 13.4% and 14.5% | Straight line vesting between 30% and 60% of rights vest | | | | | | | | | | | | | | |
| At 14.5% | 60% of rights vest | | | | | | | | | | | | | | |
| Between 14.5% and 15.5% | Straight line vesting between 60% and 100% of rights vest | | | | | | | | | | | | | | |
| At or above 15.5% | 100% of rights vest | | | | | | | | | | | | | | |
| Holding locks | Following the three-year performance period, vested performance rights are converted into shares and are subject to a further two-year holding lock during which time Executives are restricted from dealing in those shares. The holding lock is designed to support an owner's mindset and provide alignment with shareholders. Disposal restrictions may be lifted where an Executive is required to fund personal tax obligations arising from the vesting of performance share rights (typically applies to non-Australian based Executives). | | | | | | | | | | | | | | |
| Access to dividends | Executives are not entitled to receive dividends on unvested performance rights during the three-year performance period. Once vested, Executives are entitled to receive dividends during the two-year holding lock. | | | | | | | | | | | | | | |

(1) For LTI purposes, RONA is defined as EBIT/Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

(2) For LTI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items

The Board has an overriding discretion to adjust final outcomes under the terms of both the STI and LTI plans to ensure executive reward outcomes are reflective of Orica's overall performance and aligned to shareholder expectations.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION (continued)

3.2 Short-term incentive outcomes – link to performance

(a) Summary of FY2020 STI performance conditions and performance level achieved

For FY2020, business and personal performance, target and target weighting of each component of the CEO's scorecard and performance level achieved are summarised below:

are summarised below:

| Measure | Target | Weighting (at target) | 2020 outcome | | | Weighted Outcome (%) | Outcome commentary |
|---|----------|--------------------------|--------------|--------|---------------------|----------------------------|---|
| | | | Threshold | Target | Maximum | | |
| Safety, Health & Environment Rewards a continuous focus on safe and reliable operations measured through a combination of lagging and leading indicators | | | | | | | |
| SICR⁽¹⁾ | 0.181 | 8.33% | | | | 142.2% | Safety performance across the Group was strong in FY2020, with improvements across all measures compared to FY2019. SICR rates fell to the lowest level since FY2016 as a result of a strong focus on preventing serious injuries and fatalities. KCVs and close out of critical actions were above maximum reflecting extraordinary efforts in conducting key control verifications and strong operational discipline to close out critical actions by the due date. |
| Key control verifications (KCV)⁽²⁾ | 5,457 | 8.33% | | | | 200.0% | |
| Close out of critical actions⁽³⁾ | 90% | 8.33% | | | | 200.0% | |
| Earnings Measures improvements to earnings | | | | | | | |
| EBIT⁽⁴⁾ | \$703.2m | 37.5% | | | | 0.0% | EBIT outcome was below threshold, predominantly due to reduced demand and increased freight costs in the second half of the year as a result of the COVID-19 pandemic |
| Capital efficiency Rewards enhanced returns from invested capital, developing enabling technology and adjacency growth, optimising capital allocation and reallocation | | | | | | | |
| RONA⁽⁵⁾ | 13.4% | 37.5% | | | | 0.0% | RONA outcome was similarly below threshold and impacted by the COVID-19 pandemic |
| Board discretion The Board did not apply discretion to the overall outcome | | | | | | | |
| Overall STI outcome | | | | | % of Target | 45.2% | |
| | | | | | % of Maximum | 22.6% | |

(1) SICR measures the total number of Severity 3 and Severity 4 injuries and illnesses per 200,000 hours worked by employee/contractor. Excludes non-work-related injury/illness and occupational disease or illness that are attributable to chronic exposure to harmful agents over an extended period.

(2) Completion of scheduled Safety, Health & Environment (SHE) inspections categorised as Major Hazard Key Control Verification. SHE inspections measure number of completed Key Control Verifications.

(3) Close out of critical and high priority actions on or before the initial due date excluding action plans from Internal Audit and Group Standards Assurance assessments.

(4) For STI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items.

(5) For STI purposes, RONA is defined as EBIT/Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

In considering performance outcomes against the FY2020 targets, the Board reviewed the progress made against the mix of safety, financial and strategic objectives. The impact of COVID-19 on the Group's performance was also carefully considered in determining the award of this year's short-term incentive outcomes.

Group financial EBIT and RONA targets were based on the budget set prior to COVID-19. Prior to the impact of COVID-19, in the first half of the financial year, EBIT and RONA were tracking well against targets set. At the half-year it was estimated that COVID-19 would have a detrimental impact on Ammonium Nitrate volumes of between 10-15% compared to expected pre-COVID volumes. The actual impact was at the upper end of this estimate with the pandemic affecting developing markets more significantly and for longer than initially anticipated. The reduced demand and higher freight costs significantly impacted year-end RONA and EBIT performance resulting in a below threshold outcome against both targets.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION (continued)

Excellent safety performance was achieved in FY2020 with a significant improvement in Serious Injury Case Rate performance from the prior year. Measures relating to Key Control Verifications and close out of critical actions were also achieved at maximum performance at a Group level reflecting a strong behavioural change within Orica to pro-actively mitigate and manage risk across the organisation. Importantly there were no fatalities in FY2020.

Personal objectives for each Executive (other than the CEO) were determined and approved by the Board at the commencement of the financial year. In FY2020 these related to the strategic priorities of each Executive, including enhancing Orica's development and use of technology, operating efficiency and adjacency growth. Achievement against these objectives was on average above target.

The CEO achieved an outcome of 45.2% of his target opportunity (22.6% of maximum) while other Executive KMP achieved outcomes ranging between 37.6% and 82.6% of target. The Board considers the overall outcomes are a fair reflection of FY2020 shareholder performance but recognises the considerable effort by management to minimise the impact of the downturn caused by the pandemic.

(b) Short-term incentive outcome – FY2020

Details of the FY2020 outcomes for eligible Executive KMP are set out in the table below:

| For the year ended 30 September 2020 | Maximum STI opportunity \$000 | Actual STI paid in cash \$000 | Actual STI paid in deferred equity ⁽¹⁾ \$000 | Actual STI payment as % of maximum | % of maximum STI forfeited |
|--------------------------------------|-------------------------------|-------------------------------|---|------------------------------------|----------------------------|
| Current Executive KMP | | | | | |
| Alberto Calderon | 3,600.0 | 406.7 | 406.7 | 22.6% | 77.4% |
| Christopher Davis | 1,027.4 | 233.6 | 116.8 | 34.1% | 65.9% |
| James Bonnor | 1,137.2 | 200.6 | 100.3 | 26.5% | 73.5% |
| Darryl Cuzzubbo | 1,050.0 | 289.1 | 144.5 | 41.3% | 58.7% |
| Angus Melbourne | 1,121.8 | 204.9 | 102.4 | 27.4% | 72.6% |
| Germán Morales | 801.8 | 179.3 | 89.7 | 33.5% | 66.5% |
| Thomas Schutte | 1,319.8 | 165.3 | 82.6 | 18.8% | 81.2% |

(1) Under AASB 2 *Share-based Payments*, STI paid to Executives as deferred shares is accounted for as a share-based payment and expensed over two years. Accordingly, 50% of the value of the deferred equity arising from the FY2020 STI outcome has been included in each Executive KMP's share based payments expense in FY2020 and the remainder will be included in FY2021.

3.3 Long-term incentive outcome

The table below summarises the LTI Plan awards tested in the current financial year together with awards that remain unvested.

| Plan | Grant | Performance period | Performance measures applicable to award | Outcome |
|------|--------|--------------------|---|---|
| LTIP | FY2017 | FY2017 – FY2019 | Vesting of performance rights subject to: <ul style="list-style-type: none"> Average Return on Capital (ROC) (50%); and Relative TSR ranking against ASX 100 (50%). | Partial vesting (77.15% of total grant) |
| LTIP | FY2018 | FY2018 – FY2020 | RONA (100%) | Not yet tested |
| LTIP | FY2019 | FY2019 – FY2021 | RONA (100%) | Not yet tested |
| LTIP | FY2020 | FY2020 – FY2022 | RONA (100%) | Not yet tested |

FY2017 grant

The FY2017 grant was tested in November 2019 with 77.15% of the performance rights granted vesting as outlined below. In determining the Average ROC measure result, the Board applied discretion to adjust the Enterprise Value used in determining ROC to ensure management were not advantaged from the impairments to Minova, IT and other assets, the write down of defective assets at Burrup, and changes in environmental and restructuring provisions (which were all added back). The Board also applied discretion to remove the impact of GroundProbe in respect of the ROC calculation for FY2018 to ensure management were neither advantaged nor disadvantaged by the acquisition.

| | Final outcome | Vesting position | % rights vesting by measure | % total rights vesting |
|----------------------|--------------------------|--|-----------------------------|------------------------|
| Relative TSR | 63.28% (78th percentile) | Above maximum (75th percentile) | 100.00% | 50.00% |
| ROC (3-year average) | 19.06% | Between threshold (18.25%) and target (19.25%) | 54.30% | 27.15% |
| | | | TOTAL | 77.15% |

FY2018 grant

The FY2018-20 LTIP will be tested in November 2020. It is not anticipated that the minimum RONA performance threshold will be met.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION (continued)

3.4 Equity granted in FY2020

The table below presents the equity granted at face value to Executive KMP for FY2020.

| Executives | FY2020 LTI ⁽¹⁾ \$000 | FY2019 Deferred shares ⁽²⁾ \$000 | Sign-on rights \$000 | Total \$000 |
|-------------------------------|---------------------------------------|--|----------------------------|-----------------|
| Alberto Calderon | 3,870.0 | 1,000.5 | – | 4,870.5 |
| Christopher Davis | 1,050.0 | 190.4 | – | 1,240.4 |
| James Bonnor | 1,098.7 | 146.0 | – | 1,244.7 |
| Darryl Cuzzubbo | 1,050.0 | 165.6 | – | 1,215.6 |
| Sanjeev Gandhi ⁽³⁾ | – | – | 750.0 | 750.0 |
| Angus Melbourne | 1,103.7 | 216.4 | – | 1,320.1 |
| Germán Morales | 779.8 | 194.5 | – | 974.3 |
| Thomas Schutte | 1,300.1 | 265.0 | – | 1,565.1 |
| Total | 10,252.3 | 2,178.4 | 750.0 | 13,180.7 |

(1) Due to vest in November 2022 subject to satisfaction of performance conditions and then subject to a two-year holding lock.

(2) Not subject to any further performance conditions except continued employment for duration of deferral period and then subject to a three-year holding lock.

(3) A grant of rights was made to Sanjeev Gandhi. The rights will vest in two tranches (66.67% of the rights vest on 31 March 2021 and 33.33% of the rights vest on 31 December 2021) subject to Mr Gandhi remaining employed with Orica on the vesting dates.

3.5 Overview of business performance – five-year comparison

The table below summarises key indicators of the performance of the Company, relevant shareholder returns over the past five financial years and the impact this has had on STI and LTI vesting outcomes. This demonstrates the alignment of Orica's incentive awards with its performance.

| Financial year ended 30 September | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------|---------|---------|---------|---------|
| Profit/(loss) from operations (\$m) | 637.6 | 635.1 | 242.8 | 468.8 | 434.1 |
| Individually significant items (\$m) ⁽¹⁾ | 4.6 | – | 375.3 | 195.9 | 170.4 |
| EBIT (\$m) ⁽²⁾ | 642.2 | 635.1 | 618.1 | 664.7 | 604.5 |
| Dividends per ordinary share (cents) | 49.5 | 51.5 | 51.5 | 55.0 | 33.0 |
| Closing share price (\$ as at 30 September) ⁽³⁾ | 15.20 | 19.77 | 17.03 | 22.54 | 15.43 |
| 3-month average share price (1 July to 30 September) each year | 14.12 | 20.12 | 17.31 | 21.36 | 17.05 |
| EPS growth (%) ⁽²⁾ | (8.8) | (1.7) | (16.6) | 14.2 | (22.7) |
| NPAT (\$m) ⁽²⁾ | 389.1 | 386.2 | 324.2 | 371.9 | 299.3 |
| External Sales (\$m) | 5,091.9 | 5,039.2 | 5,373.8 | 5,878.0 | 5,611.3 |
| Cumulative TSR (%) ⁽⁴⁾ | (14.08) | 25.90 | 11.22 | 41.16 | 15.26 |
| Average STI received as % of maximum opportunity for Executives | 39.0 | 60.0 | 23.0 | 53.3 | 29.2 |

(1) This figure is before interest, tax and non-controlling interest.

(2) Before individually significant items.

(3) The opening share price for financial year 2016 was \$15.39.

(4) Cumulative TSR has been calculated using the same start date for each period measured (1 October 2015). In calculating the cumulative TSR, three-month average share prices (1 July to 30 September for each year) have been used.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 3. EXECUTIVE REMUNERATION (continued)

3.6 Service agreements

Remuneration and other terms of employment for Executives are formalised in service agreements. The terms and conditions of employment of each Executive reflects market conditions at the time of their contract negotiation on appointment or subsequently. The material terms of the employment contracts for the current Executives are summarised in the table below and subject to applicable law.

| Contractual Term | Executives affected | Conditions |
|---|---------------------|---|
| Duration of contract | All Executives | Permanent full-time employment contract until notice given by either party. |
| Notice period to be provided by Executive | All Executives | 6 months. |
| Notice period to be provided by Orica | MD & CEO | 6 months. Orica may elect to make payment in lieu of notice. In the event of Orica terminating the service agreement, the MD & CEO will be entitled to receive a termination payment of 6 months' salary in addition to the notice period. Should the MD & CEO's service agreement be terminated by mutual agreement, 6 months' salary is payable (in which case no notice is required to be given). |
| | Other Executives | Executives have either 13 weeks or 26 weeks notice period with the exception of Germán Morales. In accordance with Chilean employment law, Mr. Morales' notice period is one month. Executives are entitled to be paid an amount equal to 26 weeks FAR on termination (52 weeks in the case of James Bonnor and Thomas Schutte). In accordance with Chilean employment law, Germán Morales is entitled to one month's annual gross base salary for each year of service. A minimum payment equivalent to 6 months base salary will apply with a maximum payment of 11 months base salary. |
| Post-employment restraints | All Executives | Each Executive has also agreed to restraints and non-solicitation undertakings as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica. |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 4. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

4.1 Overview

Fees for Non-Executive Directors (Directors) are set by reference to the following:

- The individual's responsibilities and time commitment attaching to the role of Director and Committee membership;
- The Company's existing remuneration policies and survey data sourced from external specialists;
- Fees paid by comparable companies and the level of remuneration required to attract and retain Directors of the appropriate calibre; and
- To preserve their independence, Directors do not receive any form of performance-based pay.

The current aggregate fee pool for Directors of \$2,750,000 was approved by shareholders at the Company's 2019 Annual General Meeting. This increase in the fee pool was made as a result of the establishment of the Innovation and Technology Committee in FY2019, and to provide flexibility in accommodating any future changes to the Board.

As disclosed in the 2019 Remuneration Report, following a market benchmarking exercise changes were made to Board member base fees and the travel allowance. Details of Director fees and other benefits are shown in the table below.

The Company pays both superannuation and Committee fees to the Directors from this pool. Committee fees are not paid to the Chairman of the Board.

4.2 Fees and other benefits

The table below sets out the elements of Directors' fees and other benefits applicable in FY2020:

| Fees/benefits | Description | 2020 \$ | Included in shareholder approved cap |
|----------------------------|---|------------|--|
| Board fees | Main Board | | |
| | <i>Chairman</i> – Malcolm Broomhead | 510,000 | |
| | <i>Members</i> – all Non-Executive Directors | 177,000 | Yes |
| Committee fees | Board Audit and Risk Committee | | |
| | <i>Chairman</i> – Gene Tilbrook | 45,000 | |
| | <i>Members</i> – Maxine Brenner, Boon Swan Foo | 22,500 | |
| | Human Resources and Compensation Committee | | |
| | <i>Chairman</i> – Maxine Brenner | 45,000 | |
| | <i>Members</i> – Denise Gibson, Karen Moses | 22,500 | Yes |
| | Innovation and Technology Committee | | |
| | <i>Chairman</i> – Denise Gibson | 45,000 | |
| | <i>Members</i> – John Beevers, Boon Swan Foo | 22,500 | |
| | Safety, Health, Environment, Community and Security Committee | | |
| Superannuation | <i>Chairman</i> – Karen Moses | 45,000 | |
| | <i>Members</i> – John Beevers, Gene Tilbrook | 22,500 | |
| Other fees/benefits | Superannuation contributions are made on behalf of the Directors at a rate of 9.5% being the current superannuation guarantee contribution rate subject to a cap at the Maximum Contributions Base. | | Yes |
| | Directors receive a travel allowance based on the hours travelled to a Board meeting. The allowance paid is \$3,000 per meeting for travel between 3 and 10 hours or \$6,000 if travel time exceeds 10 hours. Directors are also entitled to be paid additional fees for extra services or special exertions. | | No |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 5. REMUNERATION GOVERNANCE

5.1 Responsibility for setting remuneration

The HR&C (the Committee) is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Company, including policies governing the remuneration of Executives.

Activities of the Committee are governed by its Terms of Reference, which are available on the Company's website at www.orica.com. Amongst other responsibilities, the Committee assists the Board in its oversight of:

- (a) remuneration policy for Executives;
- (b) level and structure of remuneration for Senior Executives, including STI and LTI plans;
- (c) the Company's compliance with applicable legal and regulatory requirements in respect of remuneration matters; and
- (d) approval of the allocation of shares and awards under Orica's LTIP and General Employee Exempt Share Plan.

5.2 Use of remuneration advisors during the year

No remuneration recommendations were received from remuneration advisors as defined under the *Corporations Act 2001*.

5.3 Securities dealing policy and Malus

Securities dealing

All Executives are required to comply with Orica's Securities' Dealing Policy at all times and in respect of all Orica shares held, including any defined employee share plans. Trading is subject to pre-clearance and is not permitted during designated blackout periods unless there are exceptional circumstances. Executives are prohibited from using any Orica shares as collateral in any margin loan or derivative arrangement.

Malus

Orica's Malus Standard allows the Board to require any Executive to forfeit in full or in part any unvested LTIP or deferred STI award as a result of:

- a material misstatement in financial results;
- behaviour that brings Orica into disrepute or has the potential to do so;
- serious misconduct; or
- any other circumstance, which the Board has determined in good faith.

In considering whether any adjustment is necessary in respect of any or all participants, the Board may take into account the individual's level of responsibility, accountability or influence over the action or inaction, the quantum of the actual loss or damage, any impact on Orica's financial soundness or reputational standing, the extent to which any internal policies, external regulations and/or risk management requirements were breached and any other relevant matters.

5.4 Executive and Director share ownership

The Board considers that an important foundation of Orica's Executive Remuneration Framework is that each Executive and Director accumulate and hold a significant number of Orica shares to align their interests as long-term investors.

Executives

The Executive Minimum Shareholding Guideline requires each Executive to accumulate a minimum vested shareholding in Orica equivalent to 100% of FAR for the Managing Director and CEO and 50% of FAR for other Executives over six years from commencement of employment (by 31 December 2022 for Executives employed prior to 1 January 2015; the effective date of the guideline). Under the Framework, at target performance and vesting, Executives would exceed these guidelines.

Non-Executive Directors

To create alignment between Directors and shareholders, Directors are required to hold (or have a benefit in) shares in the Company equivalent in value to at least one year's base fees. Such holdings must be acquired over a reasonable time using personal funds.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 5. REMUNERATION GOVERNANCE (continued)

The table below sets out the number of shares held directly and indirectly by Directors and Executive KMP employed at 30 September 2020:

| | Balance at 1 October 2019 | Acquired ⁽¹⁾ | Disposed | Balance at 30 September 2020 | Minimum Shareholding Required ⁽²⁾ | Date Minimum Shareholding Required to be met ⁽³⁾ |
|--------------------------------|---------------------------------|-------------------------|----------|------------------------------------|--|--|
| Executive KMP | | | | | | |
| Alberto Calderon | 124,325 | 174,004 | 70,000 | 228,329 | 116,656 | 31 December 2022 |
| Christopher Davis | 13,904 | 17,276 | 8,000 | 23,180 | 28,354 | 30 September 2024 |
| James Bonnor | 22,101 | 41,013 | 31,924 | 31,190 | 29,791 | 31 December 2022 |
| Darryl Cuzzubbo ⁽⁴⁾ | 19,595 | 43,420 | – | 63,015 | 28,354 | 31 December 2022 |
| Sanjeev Gandhi | – | – | – | – | 29,806 | 19 July 2026 |
| Angus Melbourne ⁽⁴⁾ | 47,399 | 47,308 | 48,000 | 46,707 | 32,404 | 31 December 2022 |
| Germán Morales | 7,500 | 7,500 | – | 15,000 | 22,981 | 31 August 2024 |
| Thomas Schutte | 37,289 | 50,146 | 26,776 | 60,659 | 35,639 | 31 December 2022 |
| Former Executive KMP | | | | | | |
| Carlos Duarte ⁽⁵⁾ | 12,500 | – | – | 12,500 | – | – |
| Directors | | | | | | |
| Malcolm Broomhead | 36,100 | 1,884 | – | 37,984 | 33,052 | |
| John Beevers ⁽⁶⁾ | 7,727 | – | – | 7,727 | 11,471 | |
| Maxine Brenner | 9,539 | – | – | 9,539 | 11,471 | |
| Boon Swan Foo | – | – | – | – | 11,471 | |
| Denise Gibson | – | 3,000 | – | 3,000 | 11,471 | |
| Karen Moses | 11,000 | – | – | 11,000 | 11,471 | |
| Gene Tilbrook | 12,500 | 1,570 | – | 14,070 | 11,471 | |
| Former Directors | | | | | | |
| Lim Chee Onn ⁽⁵⁾ | 11,000 | – | – | 11,000 | – | |

(1) Shares acquired, including deferred STI shares from FY2018 that have vested but remain subject to holding locks and shares acquired through the Dividend Reinvestment Plan (DRP).

(2) Calculated using the Orica closing share price on 30 September 2020.

(3) Directors are required to acquire a shareholding of at least one year's base fees over a reasonable time.

(4) Previously disclosed as 30 September 2022. Corrected to reflect the guideline which provides Executives employed prior to 1 January 2015 until 31 December 2022 to accumulate the minimum vested shareholding required.

(5) Closing balance on cessation of employment/directorship.

(6) Opening balance on commencement of directorship.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 6. KMP STATUTORY DISCLOSURES

6.1 Executive KMP remuneration

Details of the nature and amount of each element of remuneration of Executive KMP are set out in the table below:

Remuneration outcomes presented in these tables are calculated with reference to the *Corporations Act 2001* and relevant Australian Accounting Standards rather than the basis of take-home pay.

| | Short-term employee benefits | | | | Post-employment benefits | | | | |
|--------------------------------|------------------------------|---|---|--|--|----------------------------------|--|---|----------------|
| | Base (Fixed) Pay \$000 | Cash STI Payment ⁽¹⁾ \$000 | Other Benefits ⁽²⁾ \$000 | Other Long-Term Benefits ⁽³⁾ \$000 | Super- annuation Benefits \$000 | Termination Benefits \$000 | Total excluding SBP* Expense \$000 | SBP Expense ⁽⁴⁾⁽⁵⁾ \$000 | Total \$000 |
| Current Executive KMP | | | | | | | | | |
| Alberto Calderon | | | | | | | | | |
| 2020 | 1,778.8 | 406.7 | (86.6) | 29.6 | 21.2 | – | 2,149.7 | (111.3) | 2,038.4 |
| 2019 | 1,779.4 | 1,000.5 | 139.9 | 133.4 | 20.6 | – | 3,073.8 | 1,910.9 | 4,984.7 |
| Christopher Davis | | | | | | | | | |
| 2020 | 835.1 | 233.6 | (38.0) | 21.5 | 21.2 | – | 1,073.4 | (52.4) | 1,021.0 |
| 2019 | 779.4 | 380.8 | 280.5 | 76.4 | 20.6 | – | 1,537.7 | 301.1 | 1,838.8 |
| James Bonnor ⁽⁶⁾ | | | | | | | | | |
| 2020 | 919.3 | 200.6 | 305.2 | 22.4 | 21.2 | – | 1,468.7 | (77.3) | 1,391.4 |
| 2019 | 912.5 | 292.0 | 178.0 | 10.7 | 20.6 | – | 1,413.8 | 415.8 | 1,829.6 |
| Darryl Cuzzubbo | | | | | | | | | |
| 2020 | 853.8 | 289.1 | (2.1) | – | 21.2 | – | 1,162.0 | (51.5) | 1,110.5 |
| 2019 | 830.4 | 331.2 | 33.4 | – | 20.6 | – | 1,215.6 | 451.6 | 1,667.2 |
| Sanjeev Gandhi | | | | | | | | | |
| 2020 | 205.1 | – | 206.7 | – | – | – | 411.8 | 154.4 | 566.2 |
| Angus Melbourne ⁽⁶⁾ | | | | | | | | | |
| 2020 | 917.1 | 204.9 | 100.3 | – | 21.2 | – | 1,243.5 | (66.2) | 1,177.3 |
| 2019 | 983.7 | 432.8 | 248.1 | – | – | – | 1,664.6 | 574.3 | 2,238.9 |
| Germán Morales ⁽⁶⁾ | | | | | | | | | |
| 2020 | 668.0 | 179.3 | 56.6 | – | 40.1 | – | 944.0 | 102.3 | 1,046.3 |
| 2019 | 674.0 | 389.0 | 99.5 | – | 40.0 | – | 1,202.5 | 393.2 | 1,595.7 |
| Thomas Schutte ⁽⁶⁾ | | | | | | | | | |
| 2020 | 1,078.7 | 165.3 | 24.8 | – | 33.0 | – | 1,301.8 | (78.4) | 1,223.4 |
| 2019 ⁽⁷⁾ | 1,059.8 | 529.9 | 17.1 | – | 31.8 | – | 1,638.6 | 554.2 | 2,192.8 |
| Total Current Executive KMP | | | | | | | | | |
| 2020 | 7,255.9 | 1,679.5 | 566.9 | 73.5 | 179.1 | – | 9,754.9 | (180.4) | 9,574.5 |
| 2019 | 7,019.2 | 3,356.2 | 996.5 | 220.5 | 154.2 | – | 11,746.6 | 4,601.1 | 16,347.7 |
| Former Executive KMP | | | | | | | | | |
| Carlos Duarte | | | | | | | | | |
| 2020 | 17.3 | – | – | – | – | – | 17.3 | (228.7) | (211.4) |
| 2019 | 900.0 | 234.0 | 56.0 | – | – | – | 1,190.0 | 547.0 | 1,737.0 |
| Total | | | | | | | | | |
| 2020 | 7,273.2 | 1,679.5 | 566.9 | 73.5 | 179.1 | – | 9,772.2 | (409.1) | 9,363.1 |
| 2019 | 7,919.2 | 3,590.2 | 1,052.5 | 220.5 | 154.2 | – | 12,936.6 | 5,148.1 | 18,084.7 |

* Share-based payment (SBP).

(1) Cash STI Payment includes payments relating to FY2020 performance accrued but not paid until FY2021.

(2) These benefits include relocation costs, car parking, medical and insurance costs and movements in annual leave accrual (inclusive of any applicable fringe benefits tax). For overseas based Executives other benefits include reimbursement of accommodation, relocation expenses, health insurance and taxation services. A negative balance may appear where the leave accrual has decreased from the prior year.

(3) This benefit includes the movement in long service leave accrual.

(4) This includes the value calculated under AASB 2 *Share-based Payment* to Executives which vests over three years. Value only accrues to the Executive when performance conditions have been met. The share-based payment expense represents the amount required under Accounting Standards to be expensed during the year in respect of current and past long-term incentive allocations to Executives. These amounts are therefore not amounts received by Executives during the year nor may they be payable to the Executive at any other time if performance hurdles are not met. The mechanism which determines whether long-term incentives vest in the future is described in Section 3.1. Where a negative SBP Expense is shown, this represents a write-back of a previous share-based payment accrual based on a revised estimate of performance conditions being met.

(5) Under AASB 2 *Share-based Payment*, STI paid to Executives as deferred equity is accounted for as a share-based payment and expensed over two years. Accordingly, 50% of the value of the deferred equity has been included in the Executives share-based payment expense in FY2020 and the remainder will be included in FY2021.

(6) For overseas based Executives, salary reported is based on the salary figure in overseas currency converted at the average foreign exchange rate for the year.

(7) The Base (Fixed) Pay disclosed for Tom Schutte in FY2019 was only 11 months of his annual salary. This under-statement of fixed remuneration also impacted disclosed cash-STI and superannuation amounts together with the corresponding remuneration totals. This under-statement has been corrected for FY2019 comparative purposes in the above table.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 6. KMP STATUTORY DISCLOSURES (continued)

6.2 Summary of awards held under Orica's LTI and STI deferred share arrangements

Details of LTIP performance rights, sign-on rights and deferred shares awarded under the STI plan are set out in the table below:

| For the year ended 30 September 2020 | Grant date | Granted during FY2020 | Vested | Lapsed | Balance at year end | Fair value of instruments at grant date \$ | Value of equity instruments included in compensation for the year \$ |
|---|------------|-----------------------------|---------|--------|------------------------|---|---|
| Current Executive KMP | | | | | | | |
| Alberto Calderon | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 162,584 | – | – | 162,584 | 3,139,497 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 213,223 | 3,136,510 | (830,253) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 207,841 | 3,273,496 | (204,594) |
| FY2017 LTIP Performance rights | 30 Dec 16 | – | 148,700 | 44,042 | – | 2,639,602 | 219,939 |
| FY2019 STI Deferred shares | 3 Dec 19 | 42,033 | – | – | 42,033 | 1,000,518 | 500,259 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 18,183 | – | – | 330,021 | – |
| Christopher Davis | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 44,112 | – | – | 44,112 | 851,803 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 52,892 | 778,041 | (205,952) |
| FY2019 STI Deferred shares | 3 Dec 19 | 7,998 | – | – | 7,998 | 190,400 | 95,200 |
| James Bonnor | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 46,160 | – | – | 46,160 | 891,350 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 52,863 | 777,615 | (205,839) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 51,529 | 811,582 | (49,275) |
| FY2017 LTIP Performance rights | 30 Dec 16 | – | 36,927 | 10,937 | – | 655,497 | 54,618 |
| FY2019 STI Deferred shares | 3 Dec 19 | 6,133 | – | – | 6,133 | 146,005 | 73,002 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 4,086 | – | – | 74,161 | – |
| Darryl Cuzzubbo | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 44,112 | – | – | 44,112 | 851,803 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 54,056 | 795,164 | (210,485) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 52,691 | 829,883 | (50,385) |
| FY2017 LTIP Performance rights | 30 Dec 16 | – | 36,716 | 10,874 | – | 651,745 | 54,313 |
| FY2019 STI Deferred shares | 3 Dec 19 | 6,956 | – | – | 6,956 | 165,591 | 82,795 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 6,704 | – | – | 121,678 | – |
| Sanjeev Gandhi | | | | | | | |
| Sign-on rights ⁽²⁾ | 20 July 20 | 45,180 | – | – | 45,180 | 749,988 | 154,442 |
| Angus Melbourne | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 46,370 | – | – | 46,370 | 895,405 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 59,237 | 871,376 | (230,658) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 57,742 | 909,437 | (55,216) |
| FY2017 LTIP Performance rights | 30 Dec 16 | – | 40,704 | 12,056 | – | 722,548 | 60,201 |
| FY2019 STI Deferred shares | 3 Dec 19 | 9,091 | – | – | 9,091 | 216,414 | 108,207 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 6,604 | – | – | 119,863 | – |
| Germán Morales | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 32,759 | – | – | 32,759 | 632,576 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 43,110 | 634,148 | (167,863) |
| FY2019 STI Deferred shares | 3 Dec 19 | 8,170 | – | – | 8,170 | 194,491 | 97,245 |
| Sign-on rights | 3 Sep 18 | – | 7,500 | – | – | 256,200 | 128,100 |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)**SECTION 6. KMP STATUTORY DISCLOSURES** (continued)

| For the year ended 30 September 2020 | Grant date | Granted during FY2020 | Vested | Lapsed | Balance at year end | Fair value of instruments at grant date \$ | Value of equity instruments included in compensation for the year \$ |
|---|------------|-----------------------------|--------|--------|------------------------|---|---|
| Thomas Schutte | | | | | | | |
| FY2020 LTIP Performance rights | 10 Jan 20 | 54,618 | – | – | 54,618 | 1,054,674 | – |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 65,624 | 965,329 | (255,528) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 63,967 | 1,007,480 | (61,168) |
| FY2017 LTIP Performance rights | 30 Dec 16 | – | 43,600 | 12,913 | – | 773,946 | 64,493 |
| FY2019 STI Deferred shares | 3 Dec 19 | 11,131 | – | – | 11,131 | 264,960 | 132,480 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 6,546 | – | – | 118,810 | – |
| Former Executive KMP Carlos Duarte | | | | | | | |
| FY2019 LTIP Performance rights | 11 Jan 19 | – | – | – | 59,504 | 875,304 | (231,698) |
| FY2018 LTIP Performance rights | 5 Jan 18 | – | – | – | 58,002 | 913,532 | (55,456) |
| FY2019 STI Deferred shares | 3 Dec 19 | 4,915 | – | – | 4,915 | 116,992 | 58,496 |
| FY2018 STI Deferred shares ⁽¹⁾ | 3 Dec 18 | – | 4,710 | – | – | 85,487 | – |
| Sign-on rights | 27 Oct 17 | – | 12,500 | – | – | 522,750 | – |

- (1) The FY2018 Deferred Shares vested on 2 December 2019. Per the terms and conditions of grant, the vested shares remain subject to disposal restrictions via a holding lock for a further three years following vesting which prevents Executives from selling the vested shares during this period. In the US, UK and Singapore where a tax charge to participants arose at vesting, Executives were permitted to sell sufficient shares to cover the tax liability at vesting with the remaining shares subject to a holding lock.
- (2) A grant of rights was made to Sanjeev Gandhi. The rights will vest in two tranches (66.67% of the rights vest on 31 March 2021 and 33.33% of the rights vest on 31 December 2021) subject to Mr Gandhi remaining employed with Orica on the vesting dates.

The number of rights issued and the fair value of rights issued are:

| Grant date | Vesting date | Number of rights issued | Number of rights held at 30 September 2020 | Number of rights held at 30 September 2019 | Number of participants at 30 September 2020 | Number of participants at 30 September 2019 | Fair value of rights at grant date \$ |
|---------------------------|-----------------|-------------------------------|---|---|--|--|--|
| 10 Jan 20 | 30 Nov 22 | 939,811 | 886,806 | – | 317 | – | 19,623,254 |
| 10 Jan 20 ⁽¹⁾ | 30 Nov 22 | 507,595 | 474,827 | – | 8 | – | 9,801,689 |
| 08 Aug 19 ⁽²⁾ | 30 Nov 21 | 122,489 | 106,241 | 122,489 | 16 | 19 | 1,947,575 |
| 11 Jan 19 | 30 Nov 21 | 1,139,030 | 1,001,594 | 1,131,808 | 300 | 320 | 18,110,577 |
| 11 Jan 19 ⁽¹⁾ | 30 Nov 21 | 730,711 | 630,395 | 670,937 | 10 | 11 | 10,748,759 |
| 20 July 18 ⁽²⁾ | 30 Nov 20 | 117,150 | 86,906 | 113,434 | 17 | 20 | 1,995,065 |
| 5 Jan 18 | 30 Nov 20 | 1,751,427 | 1,331,560 | 1,493,535 | 268 | 285 | 28,911,209 |
| 10 July 17 ⁽²⁾ | 30 Nov 19 | 98,410 | – | 76,920 | – | 36 | 1,742,349 |
| 30 Dec 16 | 30 Nov 19 | 1,712,055 | – | 1,459,541 | – | 244 | 23,446,593 |

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)

SECTION 6. KMP STATUTORY DISCLOSURES (continued)

The assumptions underlying the rights valuations are:

| Grant date | Price of Orica Shares at grant date \$ | Expected volatility in share price % | Dividends expected on shares % | Risk free interest rate % | Fair value per right RONA ⁽³⁾ \$ | Fair value per right ROC ⁽⁴⁾ \$ | Fair value per right RTSR ⁽⁴⁾ \$ |
|---------------------------|---|---|-----------------------------------|------------------------------|--|---|--|
| 10 Jan 20 | 22.71 | 20 | 3.00 | 0.79 | 20.88 | – | – |
| 10 Jan 20 ⁽¹⁾ | 22.71 | 20 | 3.00 | 0.79 | 19.31 | – | – |
| 08 Aug 19 ⁽²⁾ | 22.51 | 25 | 3.00 | 1.81 | 15.90 | – | – |
| 11 Jan 19 | 17.30 | 25 | 3.00 | 1.81 | 15.90 | – | – |
| 11 Jan 19 ⁽¹⁾ | 17.30 | 25 | 3.00 | 1.81 | 14.71 | – | – |
| 20 July 18 ⁽²⁾ | 17.93 | 25 | 3.00 | 2.07 | 17.03 | – | – |
| 5 Jan 18 | 18.53 | 25 | 3.00 | 2.07 | 17.03 | – | – |
| 5 Jan 18 ⁽¹⁾ | 18.53 | 25 | 3.00 | 2.07 | 15.75 | – | – |
| 10 July 17 ⁽²⁾ | 20.68 | 25 | 3.00 | 1.73 | – | 19.35 | 16.06 |
| 30 Dec 16 | 17.68 | 30 | 3.75 | 1.96 | – | 15.87 | 11.52 |

(1) For Executives, grants made include a two-year holding lock on shares acquired following vesting. A discount to the fair value has been made to reflect lack of marketability during this period.

(2) A supplementary LTI offer was made in July 2017, July 2018 and August 2019 to selected senior management other than Executives who joined Orica after the grant date of the main offer in December 2016, January 2018 and January 2019. The terms and conditions of this supplementary offer are the same as the main offer.

(3) For Executives the FY2018, FY2019 and FY2020 LTI plan performance rights granted are subject to a single performance condition, RONA.

(4) For Executives 50% of performance rights granted are subject to a ROC performance condition and 50% are subject to RTSR performance.

DIRECTORS' REPORT – REMUNERATION REPORT 2020 (AUDITED) (Continued)**SECTION 6. KMP STATUTORY DISCLOSURES** (continued)**6.3 Non-Executive Director remuneration**

Details of Non-Executive Directors' remuneration are set out in the following table:

| | Short-term employee benefits | | | Post-employment benefits | |
|------------------------------------|------------------------------|-------------------------|--|--------------------------|----------------|
| | Directors fees \$000 | Committee fees \$000 | Other benefits ⁽¹⁾ \$000 | Super-annuation \$000 | Total \$000 |
| Current Directors | | | | | |
| Malcolm Broomhead, Chairman | | | | | |
| 2020 | 510.0 | – | 6.3 | 21.2 | 537.5 |
| 2019 | 510.0 | – | 18.0 | 20.6 | 548.6 |
| John Beevers⁽²⁾ | | | | | |
| 2020 | 118.0 | 30.0 | 6.0 | 14.2 | 168.2 |
| Maxine Brenner | | | | | |
| 2020 | 175.3 | 67.5 | 6.0 | 21.2 | 270.0 |
| 2019 | 170.0 | 67.5 | 15.0 | 20.6 | 273.1 |
| Denise Gibson | | | | | |
| 2020 | 175.3 | 67.5 | 6.0 | 21.2 | 270.0 |
| 2019 | 170.0 | 41.3 | 25.8 | 20.6 | 257.7 |
| Boon Swan Foo | | | | | |
| 2020 | 175.3 | 45.0 | 6.0 | 21.2 | 247.5 |
| 2019 | 69.0 | 14.8 | 9.9 | 8.0 | 101.7 |
| Karen Moses⁽³⁾ | | | | | |
| 2020 | 191.0 | 67.5 | 15.0 | 5.2 | 278.7 |
| 2019 | 170.0 | 48.8 | 17.4 | 20.6 | 256.8 |
| Gene Tilbrook | | | | | |
| 2020 | 175.3 | 67.5 | 15.0 | 21.2 | 279.0 |
| 2019 | 170.0 | 67.5 | 30.0 | 20.6 | 288.1 |
| Former Directors | | | | | |
| Lim Chee Onn | | | | | |
| 2020 | 14.2 | 3.8 | – | 1.7 | 19.7 |
| 2019 | 170.0 | 45.0 | 22.5 | 20.4 | 257.9 |
| Ian Cockerill⁽⁴⁾ | | | | | |
| 2019 | 155.8 | 60.0 | 37.0 | 19.0 | 271.8 |
| Total Directors | | | | | |
| 2020 | 1,534.4 | 348.8 | 60.3 | 127.1 | 2,070.6 |
| 2019 | 1,584.8 | 344.9 | 175.6 | 150.4 | 2,255.7 |

(1) These benefits include travel allowances and car parking benefits.

(2) John Beevers was appointed as a Non-Executive Director on 1 February 2020.

(3) Karen Moses elected not to receive superannuation contributions from Orica from 1 January 2020.

(4) Ian Cockerill ceased to be a Director on 30 August 2019. Remuneration data has been included for comparative purposes only.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016.

The Directors' Report is signed on behalf of the Board in accordance with a resolution of the Directors of Orica Limited.



M W Broomhead
Chairman

Dated at Melbourne 19 November 2020



A Calderon
Managing Director and Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the *Corporations Act 2001*



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Orica Limited for the financial year ended 30 September 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Penny Stragalinis'.

Penny Stragalinis

Partner

Melbourne

19 November 2020

INCOME STATEMENT

For the year ended 30 September

| | Notes | Consolidated | |
|---|-------|------------------|--------------|
| | | 2020 \$m | 2019 \$m |
| Sales revenue | (1b) | 5,611.3 | 5,878.0 |
| Other income | (1d) | 16.8 | 23.1 |
| Raw materials and inventories | | (2,578.1) | (2,744.3) |
| Employee benefits expense | | (1,241.8) | (1,250.2) |
| Depreciation and amortisation expense | (1b) | (351.3) | (276.4) |
| Purchased services | | (335.5) | (373.1) |
| Repairs and maintenance | | (178.5) | (169.8) |
| Initiating systems network optimisation | (1e) | (80.1) | – |
| Impairment of intangibles | (1e) | (63.4) | (36.1) |
| Operating model restructuring | (1e) | (26.9) | (21.5) |
| Write down of property, plant & equipment | (1e) | – | (155.0) |
| Environmental provisions for legacy sites | (1e) | – | (33.5) |
| Gain on formation of China joint venture | (1e) | – | 50.2 |
| Outgoing freight | | (290.6) | (283.1) |
| Other expenses | | (83.5) | (171.4) |
| Share of net profit of equity accounted investees | (13) | 35.7 | 31.9 |
| Total | | (5,194.0) | (5,432.3) |
| Profit from operations | | 434.1 | 468.8 |
| Net financing costs | | | |
| Financial income | | 51.1 | 49.6 |
| Financial expenses | | (200.7) | (159.3) |
| Net financing costs | | (149.6) | (109.7) |
| Profit before income tax expense | | 284.5 | 359.1 |
| Income tax expense | (11) | (107.0) | (108.6) |
| Net profit for the year | | 177.5 | 250.5 |
| Net profit for the year attributable to: | | | |
| Shareholders of Orica Limited | | 168.3 | 245.1 |
| Non-controlling interests | | 9.2 | 5.4 |
| Net profit for the year | | 177.5 | 250.5 |
| | | cents | cents |
| Earnings per share attributable to ordinary shareholders of Orica Limited: | | | |
| Basic earnings per share | (2) | 42.5 | 64.5 |
| Diluted earnings per share | (2) | 42.4 | 64.2 |

The Income Statement is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September

| | Notes | Consolidated | |
|---|-------|----------------|-------------|
| | | 2020 \$m | 2019 \$m |
| Net profit for the year | | 177.5 | 250.5 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to income statement: | | | |
| <i>Exchange differences on translation of foreign operations</i> | | | |
| Exchange (loss)/gain on translation of foreign operations, net of tax | (11c) | (357.8) | 111.9 |
| Net gain/(loss) on hedge of net investments in foreign subsidiaries, net of tax | (11c) | 43.8 | (39.1) |
| Net exchange differences on translation of foreign operations | | (314.0) | 72.8 |
| <i>Sundry items:</i> | | | |
| Net (loss)/gain on cash flow hedges, net of tax | (11c) | (6.0) | 8.8 |
| Items that will not be reclassified subsequently to income statement: | | | |
| Net actuarial loss on defined benefit obligations, net of tax | (11c) | (8.2) | (69.7) |
| Other comprehensive (loss)/income for the year | | (328.2) | 11.9 |
| Total comprehensive (loss)/income for the year | | (150.7) | 262.4 |
| Attributable to: | | | |
| Shareholders of Orica Limited | | (148.3) | 239.8 |
| Non-controlling interests | | (2.4) | 22.6 |
| Total comprehensive (loss)/income for the year | | (150.7) | 262.4 |

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEET

As at 30 September

| | Notes | Consolidated | |
|--|-------|----------------|---|
| | | 2020 \$m | Restated 2019 ⁽¹⁾⁽²⁾ \$m |
| Current assets | | | |
| Cash and cash equivalents | | 920.5 | 412.6 |
| Trade receivables | (5) | 837.7 | 681.6 |
| Other receivables | | 139.1 | 84.2 |
| Inventories | (5) | 610.0 | 587.5 |
| Other assets | | 156.7 | 69.9 |
| Total current assets | | 2,664.0 | 1,835.8 |
| Non-current assets | | | |
| Other receivables | | 46.3 | 63.0 |
| Equity accounted investees | (13) | 301.6 | 301.3 |
| Property, plant and equipment | (7) | 3,316.4 | 2,899.6 |
| Intangible assets ⁽¹⁾ | (8) | 1,744.1 | 1,694.6 |
| Deferred tax assets | (11d) | 309.0 | 317.2 |
| Other assets | | 74.9 | 187.5 |
| Total non-current assets | | 5,792.3 | 5,463.2 |
| Total assets | | 8,456.3 | 7,299.0 |
| Current liabilities | | | |
| Trade payables | (5) | 739.7 | 863.2 |
| Other payables | | 426.3 | 412.6 |
| Interest bearing liabilities | (3a) | 682.4 | 60.9 |
| Provisions | (6) | 225.2 | 193.1 |
| Other liabilities | | 95.8 | 104.8 |
| Total current liabilities | | 2,169.4 | 1,634.6 |
| Non-current liabilities | | | |
| Other payables | | 11.6 | 7.1 |
| Interest bearing liabilities | (3a) | 2,357.3 | 1,972.3 |
| Provisions | (6) | 639.4 | 586.2 |
| Deferred tax liabilities ⁽¹⁾ | (11d) | 49.2 | 73.4 |
| Other liabilities | | 43.4 | – |
| Total non-current liabilities | | 3,100.9 | 2,639.0 |
| Total liabilities | | 5,270.3 | 4,273.6 |
| Net assets | | 3,186.0 | 3,025.4 |
| Equity | | | |
| Ordinary shares | (4a) | 2,659.1 | 2,138.0 |
| Reserves | | (670.3) | (363.5) |
| Retained earnings | | 1,148.4 | 1,193.7 |
| Total equity attributable to ordinary shareholders of Orica Limited | | 3,137.2 | 2,968.2 |
| Non-controlling interests | | 48.8 | 57.2 |
| Total equity | | 3,186.0 | 3,025.4 |

(1) Restated for the retrospective application of IAS 12 *Income taxes*, following *IFRIC agenda decision*, due to change in Orica accounting policy, refer to note 24 for further details.

(2) The Group initially applied AASB 16 *Leases* on 1 October 2020, using the modified retrospective approach. Under this approach, comparative information is not restated. Refer to note 24.

The Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September

| | Ordinary shares \$m | Retained earnings \$m | Foreign currency translation reserve \$m | Cash flow hedge reserve \$m | Other reserves \$m | Total \$m | Non- controlling interests \$m | Total equity \$m |
|--|---------------------------|-----------------------------|--|--------------------------------------|--------------------------|----------------|---|------------------------|
| 2019 | | | | | | | | |
| Balance at 1 October 2018 | 2,110.1 | 1,232.3 | (280.9) | (24.8) | (133.5) | 2,903.2 | 64.8 | 2,968.0 |
| AASB 9 transitional adjustment | – | (11.0) | – | – | – | (11.0) | – | (11.0) |
| Adjusted balance at 1 October 2018 | 2,110.1 | 1,221.3 | (280.9) | (24.8) | (133.5) | 2,892.2 | 64.8 | 2,957.0 |
| Net profit for the year | – | 245.1 | – | – | – | 245.1 | 5.4 | 250.5 |
| Other comprehensive income/(loss) | – | (69.7) | 55.6 | 8.8 | – | (5.3) | 17.2 | 11.9 |
| Total comprehensive income for the year | – | 175.4 | 55.6 | 8.8 | – | 239.8 | 22.6 | 262.4 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Total changes in contributed equity (note 4) | 27.9 | – | – | – | – | 27.9 | – | 27.9 |
| Share-based payments expense | – | – | – | – | 11.3 | 11.3 | – | 11.3 |
| Divestment of non-controlling interests (note 15) | – | – | – | – | – | – | (13.1) | (13.1) |
| Dividends/distributions | – | (203.0) | – | – | – | (203.0) | – | (203.0) |
| Dividends declared/paid to non-controlling interests | – | – | – | – | – | – | (17.1) | (17.1) |
| Balance at the end of the year | 2,138.0 | 1,193.7 | (225.3) | (16.0) | (122.2) | 2,968.2 | 57.2 | 3,025.4 |
| 2020 | | | | | | | | |
| Balance at 1 October 2019 | 2,138.0 | 1,193.7 | (225.3) | (16.0) | (122.2) | 2,968.2 | 57.2 | 3,025.4 |
| AASB 16 transitional adjustment (note 24) | – | (2.6) | – | – | – | (2.6) | – | (2.6) |
| IFRIC 23 transitional adjustment (note 24) | – | (10.2) | – | – | – | (10.2) | – | (10.2) |
| Adjusted balance at 1 October 2019 | 2,138.0 | 1,180.9 | (225.3) | (16.0) | (122.2) | 2,955.4 | 57.2 | 3,012.6 |
| Net profit for the year | – | 168.3 | – | – | – | 168.3 | 9.2 | 177.5 |
| Other comprehensive income/(loss) | – | (8.2) | (302.4) | (6.0) | – | (316.6) | (11.6) | (328.2) |
| Total comprehensive income/(loss) for the year | – | 160.1 | (302.4) | (6.0) | – | (148.3) | (2.4) | (150.7) |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Total changes in contributed equity (note 4) | 521.1 | – | – | – | – | 521.1 | – | 521.1 |
| Share-based payments expense | – | – | – | – | 1.6 | 1.6 | – | 1.6 |
| Acquisition of subsidiaries with non-controlling interests | – | – | – | – | – | – | 4.9 | 4.9 |
| Dividends/distributions | – | (192.6) | – | – | – | (192.6) | – | (192.6) |
| Dividends declared/paid to non-controlling interests | – | – | – | – | – | – | (10.9) | (10.9) |
| Balance at the end of the year | 2,659.1 | 1,148.4 | (527.7) | (22.0) | (120.6) | 3,137.2 | 48.8 | 3,186.0 |

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 September

| | Notes | Consolidated | |
|---|-------|---------------------------------------|---------------------------------------|
| | | 2020 \$m Inflows/ (Outflows) | 2019 \$m Inflows/ (Outflows) |
| Cash flows from operating activities | | | |
| Receipts from customers | | 6,057.9 | 6,434.9 |
| Payments to suppliers and employees | | (5,600.6) | (5,513.8) |
| Interest received | | 51.1 | 49.8 |
| Borrowing costs | | (157.8) | (161.9) |
| Dividends received | | 23.0 | 27.2 |
| Other operating income received | | 18.2 | 17.7 |
| Net income taxes paid | | (114.4) | (107.5) |
| Net cash flows from operating activities | (3b) | 277.4 | 746.4 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (321.3) | (300.4) |
| Payments for intangibles | | (202.8) | (123.6) |
| Payments for purchase of investments | | – | (4.8) |
| Proceeds from sale of, and other advances in relation to, property, plant and equipment | | 8.4 | 74.4 |
| Payments for purchase of businesses/controlled entities | (14) | (153.9) | (0.9) |
| Net cash disposed from sale of businesses | (15) | – | (12.6) |
| Proceeds from sale of investments | | 9.2 | – |
| Disposal costs from sale of businesses/controlled entities | | – | (0.5) |
| Net cash flows used in investing activities | | (660.4) | (368.4) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 2,948.3 | 2,169.1 |
| Repayment of borrowings | | (2,266.1) | (2,465.3) |
| Dividends paid – Orica ordinary shares | (4c) | (179.4) | (177.2) |
| Dividends paid – non-controlling interests | | (11.3) | (18.0) |
| Principal portion of lease payments | | (61.0) | (0.8) |
| Proceeds from issue of ordinary shares, net of costs | | 505.4 | 0.7 |
| Net cash flows from/(used in) financing activities | | 935.9 | (491.5) |
| Net increase/(decrease) in cash held | | 552.9 | (113.5) |
| Cash at the beginning of the period | | 412.6 | 514.6 |
| Effects of exchange rate changes on cash | | (45.0) | 11.5 |
| Cash at the end of the period | | 920.5 | 412.6 |

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ABOUT THIS REPORT

Basis of preparation

This is the Annual Report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') for the year ended 30 September 2020.

It is a general purpose Financial Report which has been prepared by a for-profit entity in accordance with the requirements of applicable Australian Accounting Standards and the *Corporations Act 2001* and complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

It has been prepared on a historical cost basis, except for derivative financial instruments, superannuation commitments and investments in financial assets which have been measured at fair value.

The financial statements are presented in Australian dollars with all amounts rounded off, except where otherwise stated, to the nearest tenth of a million dollars, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016.

Orica's Directors have included information in this report that they deem to be material and relevant to the understanding of the consolidated financial statements.

Disclosure may be considered material and relevant if the dollar amount is significant due to size or nature, or the information is important to understand the:

- Group's current year results;
- impact of significant changes in Orica's business; or
- aspects of the Group's operations that are important to future performance.

Except as described in note 24, the financial statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period.

Significant accounting policies that apply to the overall financial statements

Foreign currencies

Functional and Presentation Currency

The Company's functional and presentation currency is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances

Transactions in currencies other than the functional currency of the Company or entity concerned are recorded using the exchange rate on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies at the balance date are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value. Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (refer to note 10).

Consolidation of Group Entities

On consolidation, assets and liabilities of foreign operations are translated into Australian dollars at the closing rate at balance date. The results of foreign operations are translated into Australian dollars at average exchange rates for the period where these do not materially differ from rates applicable on the date of the transaction. Foreign exchange differences arising on the retranslation of foreign operations are recognised directly in a separate component of equity.

Critical accounting judgements and estimates

Application of the Group accounting policies requires management to make judgements, and to apply estimates and assumptions to future events. The areas involving a higher degree of judgement or complexity, and which are material to the report, are highlighted in the following notes:

| | |
|---------|---|
| Note 3 | Net debt |
| Note 5 | Working capital |
| Note 6 | Provisions |
| Note 7 | Property, plant and equipment |
| Note 8 | Intangible assets |
| Note 9 | Impairment testing of assets |
| Note 11 | Taxation |
| Note 14 | Businesses and non-controlling interests acquired |
| Note 19 | Defined benefit obligations |
| Note 20 | Contingent liabilities |

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

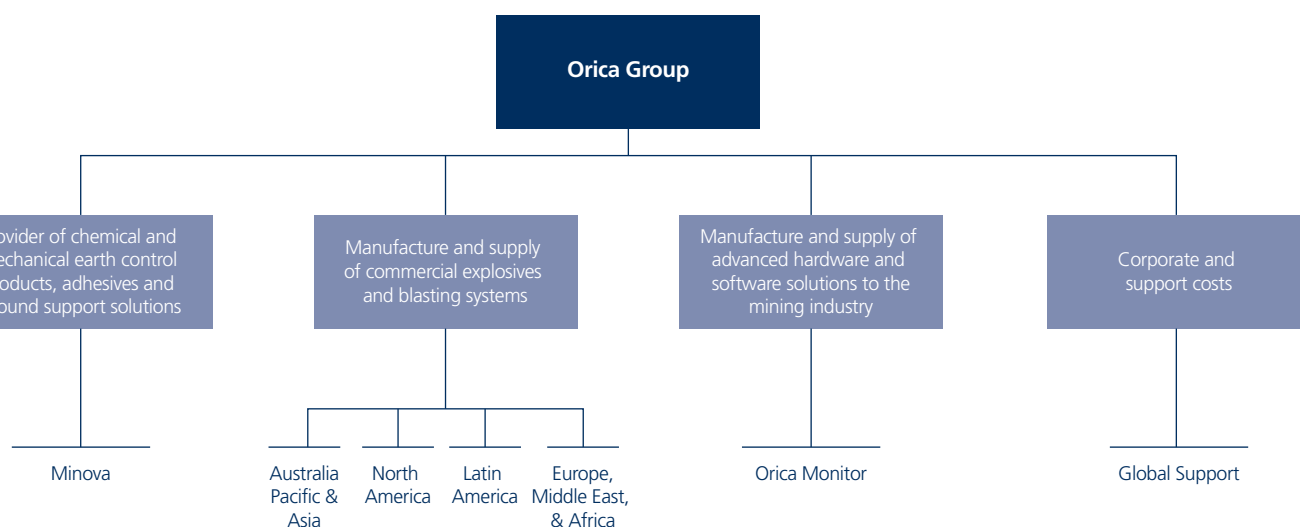
SECTION A. FINANCIAL PERFORMANCE

A key element of the Group's current strategy is to create sustainable shareholder value. This section highlights the results and performance of the Group for the year ended 30 September 2020.

1. SEGMENT REPORT

(a) Identification and description of segments

Orica's reportable segments are based on the internal management structure as reported to the Group's Chief Operating Decision Maker (the Group's Managing Director and CEO).



NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

(b) Reportable segments

| 2020 \$m | Australia Pacific & Asia | North America | Latin America | Europe, Middle East & Africa | Minova | Orica Monitor | Global Support | Elimina- tions | Consoli- dated |
|--|--------------------------------|------------------|------------------|---------------------------------------|--------|------------------|-------------------|-------------------|-------------------|
| Revenue | | | | | | | | | |
| External sales | 2,050.6 | 1,260.0 | 855.6 | 882.8 | 468.3 | 94.0 | – | – | 5,611.3 |
| Inter-segment sales | 143.3 | 216.4 | 40.0 | 29.6 | 2.4 | 4.4 | 635.8 | (1,071.9) | – |
| Total sales revenue | 2,193.9 | 1,476.4 | 895.6 | 912.4 | 470.7 | 98.4 | 635.8 | (1,071.9) | 5,611.3 |
| Other income (refer to note 1d) ⁽¹⁾ | 5.1 | 7.1 | 3.3 | (2.0) | 1.3 | 1.9 | 0.1 | – | 16.8 |
| Total revenue and other income | 2,199.0 | 1,483.5 | 898.9 | 910.4 | 472.0 | 100.3 | 635.9 | (1,071.9) | 5,628.1 |
| Results before individually significant items | | | | | | | | | |
| Profit/(loss) before financing costs and income tax | 369.5 | 163.7 | 36.6 | 62.4 | 20.8 | 20.3 | (68.8) | – | 604.5 |
| Financial income | | | | | | | | | 51.1 |
| Financial expenses | | | | | | | | | (200.7) |
| Profit before income tax expense | | | | | | | | | 454.9 |
| Income tax expense | | | | | | | | | (146.4) |
| Profit after income tax expense | | | | | | | | | 308.5 |
| Less: Profit attributable to non-controlling interests | | | | | | | | | (9.2) |
| Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited | | | | | | | | | 299.3 |
| Individually significant items (refer to note 1e) | | | | | | | | | |
| Gross individually significant items | (9.1) | (25.6) | (29.8) | (35.3) | (3.9) | (0.6) | (66.1) | – | (170.4) |
| Tax on individually significant items | 2.6 | 6.7 | 8.4 | 1.3 | 1.1 | 0.1 | 19.2 | – | 39.4 |
| Net individually significant items attributable to non-controlling interests | | | | | | | | | – |
| Individually significant items attributable to shareholders of Orica Limited | | | | | | | | | (131.0) |
| Profit for the year attributable to shareholders of Orica Limited | | | | | | | | | 168.3 |
| Segment assets | 3,436.5 | 1,250.8 | 856.6 | 780.1 | 142.3 | 257.5 | 1,732.5 | – | 8,456.3 |
| Segment liabilities | 857.9 | 380.4 | 446.7 | 281.0 | 83.5 | 62.0 | 3,158.8 | – | 5,270.3 |
| Equity accounted investees | 76.9 | 193.8 | 13.6 | 2.4 | – | – | 14.9 | – | 301.6 |
| Acquisitions of PPE and intangibles (excluding right of use assets) | 199.1 | 52.5 | 16.9 | 32.7 | 12.0 | 14.3 | 183.6 | – | 511.1 |
| Impairment of PPE | 1.0 | 10.6 | 4.7 | 16.8 | – | – | – | – | 33.1 |
| Impairment of intangibles | – | – | – | 2.1 | – | – | 61.3 | – | 63.4 |
| Depreciation and amortisation | 148.6 | 70.4 | 34.0 | 32.1 | 11.4 | 12.8 | 42.0 | – | 351.3 |
| Non-cash expenses: share based payments | 1.4 | 1.0 | 0.4 | 1.0 | – | 0.3 | 1.2 | – | 5.3 |
| Share of net profit/(loss) of equity accounted investees | 3.6 | 29.3 | 2.9 | 1.1 | – | – | (1.2) | – | 35.7 |

(1) Includes foreign currency gains/(losses) in various reportable segments.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

(b) Reportable segments

| 2019 \$m | Australia Pacific & Asia | North America | Latin America | Europe, Middle East & Africa | Minova | Orica Monitor | Global Support | Elimina- tions | Consoli- dated |
|--|--------------------------------|------------------|------------------|---------------------------------------|--------|------------------|-------------------|-------------------|-------------------|
| Revenue | | | | | | | | | |
| External sales | 2,013.5 | 1,391.3 | 910.2 | 875.4 | 591.1 | 96.5 | – | – | 5,878.0 |
| Inter-segment sales | 92.5 | 199.2 | 59.7 | 35.8 | 4.0 | 0.7 | 1,210.4 | (1,602.3) | – |
| Total sales revenue | 2,106.0 | 1,590.5 | 969.9 | 911.2 | 595.1 | 97.2 | 1,210.4 | (1,602.3) | 5,878.0 |
| Other income (refer to note 1d)(1) | 5.8 | 5.5 | (1.9) | 4.1 | 0.4 | 0.5 | 8.7 | – | 23.1 |
| Total revenue and other income | 2,111.8 | 1,596.0 | 968.0 | 915.3 | 595.5 | 97.7 | 1,219.1 | (1,602.3) | 5,901.1 |
| Results before individually significant items | | | | | | | | | |
| Profit/(loss) before financing costs and income tax | 382.7 | 192.1 | 43.8 | 67.9 | 15.2 | 22.3 | (59.3) | – | 664.7 |
| Financial income | | | | | | | | | 49.6 |
| Financial expenses | | | | | | | | | (159.3) |
| Profit before income tax expense | | | | | | | | | 555.0 |
| Income tax expense | | | | | | | | | (177.7) |
| Profit after income tax expense | | | | | | | | | 377.3 |
| Less: Profit attributable to non-controlling interests | | | | | | | | | (5.4) |
| Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited | | | | | | | | | 371.9 |
| Individually significant items (refer to note 1e) | | | | | | | | | |
| Gross individually significant items | (112.2) | (1.4) | (5.4) | (3.9) | (0.8) | – | (72.2) | – | (195.9) |
| Tax on individually significant items | 44.2 | 0.3 | 1.4 | 1.4 | 0.2 | – | 21.6 | – | 69.1 |
| Net individually significant items attributable to non-controlling interests | | | | | | | | | – |
| Individually significant items attributable to shareholders of Orica Limited | | | | | | | | | (126.8) |
| Profit for the year attributable to shareholders of Orica Limited | | | | | | | | | 245.1 |
| Segment assets | 3,065.6 | 971.2 | 559.3 | 720.1 | 196.6 | 239.2 | 1,547.0 | – | 7,299.0 |
| Segment liabilities | 583.2 | 203.4 | 199.1 | 246.3 | 84.7 | 40.8 | 2,916.1 | – | 4,273.6 |
| Equity accounted investees | 73.5 | 198.9 | 11.6 | 1.9 | – | – | 15.4 | – | 301.3 |
| Acquisitions of PPE and intangibles | 162.2 | 39.6 | 29.8 | 48.0 | 7.3 | 12.7 | 133.9 | – | 433.5 |
| Write down of PPE | 155.0 | – | – | – | – | – | – | – | 155.0 |
| Impairment of intangibles | – | – | – | – | – | – | 36.1 | – | 36.1 |
| Depreciation and amortisation | 126.2 | 44.8 | 22.7 | 26.0 | 9.1 | 8.6 | 39.0 | – | 276.4 |
| Non-cash expenses: share based payments | 2.6 | 1.8 | 1.6 | 1.7 | 0.3 | – | 4.4 | – | 12.4 |
| Share of net profit/(loss) of equity accounted investees | 1.7 | 26.4 | 2.9 | 0.9 | – | – | – | – | 31.9 |

(1) Includes foreign currency gains/(losses) in various reportable segments.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

| | Consolidated | |
|--|----------------|-------------|
| | 2020 \$m | 2019 \$m |
| (c) Disaggregation of revenue (by commodity/industry) | | |
| Gold | 1,099.8 | 1,172.3 |
| Thermal Coal | 900.0 | 1,025.2 |
| Copper | 893.8 | 798.5 |
| Quarry and Construction | 731.0 | 725.4 |
| Iron Ore | 410.1 | 437.9 |
| Coking Coal | 350.0 | 305.9 |
| Minova | 468.3 | 591.1 |
| Orica Monitor | 94.0 | 96.6 |
| Other | 664.3 | 725.1 |
| Total disaggregated revenue | 5,611.3 | 5,878.0 |

| | Consolidated | |
|--|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| (d) Other income | | |
| Other income | 18.2 | 17.7 |
| Net foreign currency (losses)/gains | (6.5) | 4.4 |
| Net profit from sale of businesses | – | 3.3 |
| Net gain/(loss) on sale of property, plant and equipment | 0.9 | (2.3) |
| Profit from sale of investments | 4.2 | – |
| Total other income | 16.8 | 23.1 |

| | 2020 | | | 2019 | | |
|--|----------------|-------------|----------------|--------------|------------|------------|
| | Gross \$m | Tax \$m | Net \$m | Gross \$m | Tax \$m | Net \$m |
| (e) Individually significant items | | | | | | |
| Profit after income tax includes the following individually significant items of expense: | | | | | | |
| Initiating systems network optimisation ⁽¹⁾ | (80.1) | 13.0 | (67.1) | – | – | – |
| Impairment expense ⁽²⁾ | (63.4) | 18.7 | (44.7) | (36.1) | 10.8 | (25.3) |
| Operating model restructuring ⁽³⁾ | (26.9) | 7.7 | (19.2) | (21.5) | 6.2 | (15.3) |
| Gain on formation of China joint venture ⁽⁴⁾ | – | – | – | 50.2 | (4.5) | 45.7 |
| Environmental provisions for legacy sites | – | – | – | (33.5) | 10.1 | (23.4) |
| Write down of property, plant & equipment | – | – | – | (155.0) | 46.5 | (108.5) |
| Individually significant items | (170.4) | 39.4 | (131.0) | (195.9) | 69.1 | (126.8) |
| Individually significant items attributable to shareholders of Orica | (170.4) | 39.4 | (131.0) | (195.9) | 69.1 | (126.8) |

(1) The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This project is expected to result in a substantial increase in the IS plant utilisation by 2024. The expense includes an impairment to PPE (\$33.1 million), increase in environmental and decommissioning provision (\$27.9 million), redundancies (\$8.2 million) and inventory write offs (\$10.9 million). Refer to note 6, note 7 and note 9.

(2) Refer to note 8 and note 9.

(3) As part of the global restructuring project, redundancy costs were recognised across the Group.

(4) Refer to note 15.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

(f) Geographical segments

The presentation of geographical revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

| | Revenue | | Non-current assets ⁽¹⁾ | |
|--------------------------|----------------|-------------|-----------------------------------|-------------|
| | 2020 \$m | 2019 \$m | 2020 \$m | 2019 \$m |
| Australia | 1,608.3 | 1,587.1 | 3,037.7 | 2,673.7 |
| United States of America | 888.6 | 931.4 | 390.7 | 354.1 |
| Canada | 545.7 | 576.5 | 282.2 | 356.5 |
| Other ⁽²⁾ | 2,568.7 | 2,783.0 | 1,694.8 | 1,585.5 |
| Consolidated | 5,611.3 | 5,878.0 | 5,405.4 | 4,969.8 |

(1) Excluding: financial derivatives (included within other assets and other liabilities), deferred tax assets and post-employment benefit assets.

(2) Other than Australia, United States of America and Canada, sales to other countries are individually less than 10% of the Group's total revenues.

Recognition and measurement

Revenue is recognised when, or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration includes a variable amount (net of trade discounts and volume rebates), the Group estimates the amount of consideration to which it will be entitled. The majority of the Group's operations are conducted under Master Service Agreements which require customers to place orders for goods or services on a periodic basis. The performance obligations are identified at the point that the customer places the order.

Supply of products and provision of services

Revenue is derived from contractual agreements for either:

- the supply of products; or
- the supply of products and the provision of services.

Contracts for the supply of products are one performance obligation; and contracts for the supply of products and services include one or two separate performance obligations depending on whether the customer can benefit from the products independently of the services.

Product revenue is recognised when the goods are delivered to the contracted point of delivery as this is the point at which the customer gains control of the product and the performance obligation is satisfied by the Group.

Service revenue is recognised over time as the customer simultaneously receives and consumes the benefits of the Group's performance. Where products and services are combined into one single performance obligation, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

Contracts to provide a designated output

The provision of goods and services in contracts that provide a designated quantity of output results in the identification of a single performance obligation to deliver an integrated service to the customer. Revenue from this performance obligation is recognised over time as the customer simultaneously receives and consumes the benefits of the Group's performance.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

2. EARNINGS PER SHARE (EPS)

| | Consolidated | |
|---|--------------------|-----------------|
| | 2020 \$m | 2019 \$m |
| (i) As reported in the income statement | | |
| Earnings used in the calculation of basic EPS attributable to ordinary shareholders of Orica Limited | | |
| Net profit for the year from continuing operations | 177.5 | 250.5 |
| Less: Net profit for the year attributable to non-controlling interests | 9.2 | 5.4 |
| Total | 168.3 | 245.1 |
| | Number of shares | |
| Weighted average number of shares used in the calculation: | | |
| Number for basic earnings per share | 395,620,418 | 379,967,950 |
| Effect of dilutive share options and rights | 1,489,532 | 1,656,530 |
| Number for diluted earnings per share | 397,109,950 | 381,624,480 |
| The weighted average number of options and rights that have not been included in the calculation of diluted earnings per share | 3,044,873 | 3,027,776 |
| | Cents per share | Cents per share |
| Total attributable to ordinary shareholders of Orica Limited | | |
| Basic earnings per share | 42.5 | 64.5 |
| Diluted earnings per share | 42.4 | 64.2 |
| | Consolidated | |
| | 2020 \$m | 2019 \$m |
| (ii) Adjusted for individually significant items | | |
| Earnings used in the calculation of basic EPS adjusted for individually significant items attributable to ordinary shareholders of Orica Limited | | |
| Net profit for the year | 177.5 | 250.5 |
| Less: Net profit for the year attributable to non-controlling interests | 9.2 | 5.4 |
| Adjusted for individually significant items (refer to note 1e) | 131.0 | 126.8 |
| Total adjusted | 299.3 | 371.9 |
| | Cents per share | Cents per share |
| Total attributable to ordinary shareholders of Orica Limited before individually significant items | | |
| Basic earnings per share ⁽¹⁾ | 75.7 | 97.9 |
| Diluted earnings per share ⁽¹⁾ | 75.4 | 97.5 |

(1) Earnings per share before individually significant items is a non-IFRS measure. Management excludes individually significant items from the calculation in order to enhance the comparability from year-to-year and provide investors with further clarity in order to assess the underlying performance of operations.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

SECTION B. CAPITAL MANAGEMENT

Orica's objectives when managing capital (net debt and total equity) are to safeguard the Group's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital. This section outlines the principal capital management initiatives that have been undertaken, current year drivers of the Group's cash flows, as well as the key operating assets used and liabilities incurred to support financial performance.

3. NET DEBT

In order to maintain an appropriate capital structure, the Group may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders such as a share buy-back or issue new equity, in addition to incurring an appropriate level of borrowings. Currently, Orica maintains a dividend payout ratio policy and expects the total payout ratio to be in the range of 40%-70% of underlying earnings. It is also expected that the total dividend paid each year will be weighted towards the final dividend.

Orica monitors debt capacity against a number of key credit metrics, principally the gearing ratio (net debt excluding lease liabilities divided by net debt excluding lease liabilities plus equity) and the interest cover ratio (EBIT excluding individually significant items, divided by net financing costs excluding lease interest). These ratios, together with performance measure criteria determined by Standard & Poor's, are targeted in support of the maintenance of an investment grade credit rating, which enables access to borrowings from a range of sources. Of note, Orica's debt covenants are calculated exclusive of leases while Standard & Poor's adjusted ratios are inclusive of leases.

The Group's current target for gearing is 30%-40% and interest cover is 5 times or greater. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions.

In addition, the gearing and interest cover ratios are monitored to ensure an adequate buffer against covenant levels applicable to the various financing facilities.

The gearing ratio is calculated as follows:

| | Consolidated | |
|--|----------------|-------------|
| | 2020 \$m | 2019 \$m |
| Interest bearing liabilities – excluding lease liabilities (refer to note 3a) | 2,741.0 | 2,033.2 |
| less cash and cash equivalents | (920.5) | (412.6) |
| Net debt | 1,820.5 | 1,620.6 |
| Total equity | 3,186.0 | 3,025.4 |
| Net debt and total equity | 5,006.5 | 4,646.0 |
| Gearing ratio (%) | 36.4% | 34.9% |
| The interest ratio is calculated as follows: | | |
| EBIT (excluding individually significant items) (refer to note 1b) | 604.5 | 664.7 |
| Net financing costs excluding unwinding of discount on provisions ⁽¹⁾ | 101.4 | 100.4 |
| Unwinding of discount on provisions ⁽²⁾ | 48.2 | 9.3 |
| Net financing costs | 149.6 | 109.7 |
| Less lease interest | (12.6) | – |
| Net financing costs excluding lease interest | 137.0 | 109.7 |
| Interest cover ratio (times) | 4.4 | 6.1 |

(1) Net of capitalised borrowing costs of \$9.5 million (2019 \$7.5 million).

(2) The unwinding of discount on provisions increased by \$38.9 million primarily as a result of a material decline in the discount rate applied to measure the Botany groundwater provision. Refer to note 6 for further details.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

3. NET DEBT (continued)**(a) Interest bearing liabilities**

| | Opening Balance \$m | Adoption of AASB 16 \$m | Non-cash movements \$m | Net cash movements \$m | Closing Balance \$m |
|---------------------------------------|---------------------------|-------------------------------|------------------------------|------------------------------|---------------------------|
| Current | | | | | |
| Unsecured | | | | | |
| Private Placement debt ⁽¹⁾ | – | – | 469.5 | – | 469.5 |
| Export finance facility | 17.1 | – | 0.2 | (17.3) | – |
| Bank loans ⁽¹⁾⁽²⁾ | 34.0 | – | 131.6 | (20.1) | 145.5 |
| Bank overdraft | 8.4 | – | – | (6.0) | 2.4 |
| Other loans | 1.1 | – | – | (1.1) | – |
| Lease liabilities ⁽³⁾ | 0.3 | 67.3 | 71.0 | (73.6) | 65.0 |
| Total | 60.9 | 67.3 | 672.3 | (118.1) | 682.4 |
| Non-current | | | | | |
| Unsecured | | | | | |
| Private Placement debt ⁽¹⁾ | 1,971.3 | – | (575.0) | 722.2 | 2,118.5 |
| Bank loans ⁽¹⁾ | – | – | – | 4.6 | 4.6 |
| Other loans | 0.9 | – | (0.3) | (0.1) | 0.5 |
| Lease liabilities ⁽³⁾ | 0.1 | 186.4 | 47.2 | – | 233.7 |
| Total | 1,972.3 | 186.4 | (528.1) | 726.7 | 2,357.3 |
| Total | 2,033.2 | 253.7 | 144.2 | 608.6 | 3,039.7 |

(1) Orica Limited provides guarantees on certain facilities, refer to note 16 for further details.

(2) Included in the non-cash movements are bank loans acquired of \$154.6 million.

(3) In 2019, \$6.8 million of property, plant and equipment were pledged as security for finance leases.

During the current and prior year, there were no defaults or breaches of covenants on any loans.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

3. NET DEBT (continued)

(b) Notes to the statement of cash flows

| | | Consolidated | |
|---|-------|----------------|-------------|
| | Notes | 2020 \$m | 2019 \$m |
| Reconciliation of profit after income tax to net cash flows from operating activities | | | |
| Profit after income tax expense | | 177.5 | 250.5 |
| Adjusted for the following items: | | | |
| Depreciation and amortisation | (1b) | 351.3 | 276.4 |
| Net (profit)/loss on sale of property, plant and equipment | (1d) | (0.9) | 2.3 |
| Impairment of intangibles | (8) | 63.4 | 36.1 |
| Impairment/write down of property, plant and equipment | (7) | 33.1 | 155.0 |
| Impairment of inventories | | (3.3) | 19.8 |
| Net profit on sale of businesses | | – | (53.5) |
| Net profit on sale of investments | | (4.2) | – |
| Share based payments expense | | 5.3 | 12.4 |
| Share of equity accounted investees net profit after adding back dividends received | | (12.7) | (4.8) |
| Unwinding of discount on provisions | | 48.2 | 9.3 |
| Other | | 4.2 | 2.4 |
| Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities | | | |
| (increase) in trade and other receivables | | (147.4) | (41.7) |
| decrease in inventories | | 33.1 | 39.0 |
| (increase) in net deferred taxes | | (18.5) | (10.6) |
| (decrease)/increase in payables and provisions | | (254.9) | 71.4 |
| increase/(decrease) in income taxes payable | | 3.2 | (17.6) |
| Net cash flows from operating activities | | 277.4 | 746.4 |

Recognition and Measurement

Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call.

Interest bearing liabilities, excluding lease liabilities

Interest bearing liabilities are initially recognised net of transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the liabilities on an effective interest basis, unless they are liabilities designated in a fair value relationship in which case they continue to be measured at fair value (refer to note 10).

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets where interest on funds are capitalised.

Lease liabilities

The Group recognises all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or less) and low-value leases, on the balance sheet. Lease liabilities are recorded at the present value of fixed payments, variable lease payments that depend on an index or rate, amounts payable under residual value guarantees and extension options expected to be exercised. Where a lease contains an extension option which the Group can exercise without negotiation, lease payments for the extension period are included in the liability if the Group is reasonably certain that it will exercise the option. Variable lease payments not dependent on an index or rate are excluded from the liability. Lease payments are discounted at the incremental borrowing rate of the lessee unless the rate implicit in the lease can be readily determined.

Lease liabilities are remeasured when there is a change in future lease payments resulting from a change in an index or rate, or a change in the assessed lease term. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount has been reduced to zero.

The Group applied judgement to determine the incremental borrowing rates as well as the lease term for some lease contracts that include extension or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

3. NET DEBT (continued)

The Group recognises depreciation of the right of use assets and interest on the lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the cash flow statement.

Expenses relating to short-term and low-value leases of \$31.7 million and variable lease payments not included in lease liabilities of \$115.9 million have been recognised in the income statement. Total cash outflow for leases was \$221.2 million.

Critical accounting judgements and estimates

- Determination of the discount rate to use
- Determination of whether it is reasonably certain that an extension or termination option will be exercised

4. CONTRIBUTED EQUITY AND RESERVES

(a) Contributed equity

Movements in issued and fully paid shares of Orica since 1 October 2018 were as follows:

| Details | Date | Number of shares | Issue price \$ | \$m |
|---|------------------|--------------------|----------------|----------------|
| Ordinary shares | | | | |
| Opening balance of shares issued | 1-Oct-18 | 379,214,789 | | 2,110.1 |
| Shares issued under the Orica dividend reinvestment plan | 7-Dec-18 | 726,287 | 17.48 | 12.7 |
| Shares issued under the Orica dividend reinvestment plan | 1-Jul-19 | 635,545 | 20.67 | 13.1 |
| Deferred shares issued to settle Short-Term Incentive | | | | 1.4 |
| Shares issued under the Orica GEESP plan ⁽¹⁾ | | | | 0.7 |
| Balance at the end of the year | 30-Sep-19 | 380,576,621 | | 2,138.0 |
| Shares issued under the Orica dividend reinvestment plan | 13-Dec-19 | 376,806 | 23.62 | 8.9 |
| Shares issued under the Institutional Share Placement, net of costs | 25-Feb-20 | 23,596,036 | 21.19 | 487.4 |
| Shares issued under Share Purchase Plan | 24-Mar-20 | 1,085,837 | 15.93 | 17.3 |
| Shares issued under the Orica dividend reinvestment plan | 8-Jul-20 | 243,515 | 17.51 | 4.3 |
| Deferred shares issued to settle Short-Term Incentive | | | | 2.5 |
| Shares issued under the Orica GEESP plan ⁽¹⁾ | | | | 0.7 |
| Balance at the end of the year | 30-Sep-20 | 405,878,815 | | 2,659.1 |

(1) – General Employee Exempt Share Plan (GEESP)

During the year, the Group completed an institutional share placement and a share purchase plan raising \$504.7 million net of transaction costs. These proceeds were used to fund the Group's acquisition of Exsa S.A (refer to note 14) with the remaining funds to provide greater balance sheet flexibility to support investment in Orica's core capital initiatives and growth engines.

(b) Reserves

Recognition and Measurement

Foreign currency translation reserve

Records the foreign currency differences arising from the translation of foreign operations. The relevant portion of the reserve is recognised in the income statement when the foreign operation is disposed of.

Cash flow hedge reserve

Represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

Other reserves represents share based payments reserves and equity reserves arising from the purchase of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

4. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Dividends

| | Consolidated | |
|--|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| Dividends paid or declared in respect of the year ended 30 September were: | | |
| Ordinary shares | | |
| interim dividend of 22.0 cents per share, unfranked, paid 1 July 2019 | | 83.5 |
| interim dividend of 16.5 cents per share, unfranked, paid 8 July 2020 | 67.0 | |
| final dividend of 31.5 cents per share, unfranked, paid 7 December 2018 | | 119.5 |
| final dividend of 33 cents per share, 15.2% franked at 30%, paid 13 December 2019 | 125.6 | |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan (DRP) during the year were as follows: | | |
| paid in cash | 179.4 | 177.2 |
| DRP – satisfied by issue of shares | 13.2 | 25.8 |

Since the end of the financial year, the Directors declared the following dividend:

Final dividend on ordinary shares of 16.5 cents per share, unfranked, payable 15 January 2021. Total franking credits related to this dividend are nil (2019 \$8.2 million).

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2020 – however will be recognised in the 2021 financial statements.

Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2020 are nil (2019 nil).

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

SECTION C. OPERATING ASSETS AND LIABILITIES

This section highlights current year drivers of the Group's operating and investing cash flows, as well as the key operating assets used and liabilities incurred to support delivering financial performance.

5. WORKING CAPITAL

(a) Trade working capital

Trade working capital includes inventories, receivables and payables that arise from normal trading conditions. The Group continuously looks to improve working capital efficiency in order to maximise operating cash flow.

| | Consolidated | |
|------------------------------|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| Inventories (i) | 610.0 | 587.5 |
| Trade receivables (ii) | 837.7 | 681.6 |
| Trade payables (iii) | (739.7) | (863.2) |
| Trade working capital | 708.0 | 405.9 |

(i) Inventories

The classification of inventories is detailed below:

| | Consolidated | |
|------------------|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| Raw materials | 219.8 | 257.8 |
| Work in progress | 2.3 | 47.5 |
| Finished goods | 387.9 | 282.2 |
| | 610.0 | 587.5 |

Recognition and Measurement

Inventories are measured at the lower of cost and net realisable value. Cost is based on a first-in first-out or weighted average basis. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity. Inventories have been shown net of provision for impairment of \$45.7 million (2019 \$36.4 million).

(ii) Trade receivables

The ageing of trade receivables and allowance for impairment is detailed below:

| | Consolidated | | Consolidated | |
|------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | 2020 Gross \$m | 2020 Allowance \$m | 2019 Gross \$m | 2019 Allowance \$m |
| Not past due | 750.7 | – | 642.4 | – |
| Past due 0 – 30 days | 78.5 | – | 39.0 | – |
| Past due 31 – 120 days | 37.3 | (28.8) | 17.3 | (17.1) |
| Past 120 days | 47.1 | (47.1) | 46.0 | (46.0) |
| | 913.6 | (75.9) | 744.7 | (63.1) |

Recognition and Measurement

The collectability of trade and other receivables is assessed continuously, specific allowances are made for any doubtful trade and other receivables based on a review of all outstanding amounts at year end. The expected impairment loss calculation for trade receivables considers both quantitative information from historic credit losses as well as qualitative information on different customer/debtor profiles and segments. The net carrying amount of trade and other receivables approximates their fair values. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

5. WORKING CAPITAL (continued)

(iii) Trade payables

Recognition and Measurement

Trade and other payables are recognised when the Group is required to make future payments as a result of the purchase of goods or as services provided prior to the end of the reporting period. The carrying amount of trade payables approximates their fair values due to their short-term nature.

(b) Non-trade working capital

Non-trade working capital includes all other receivables and payables not related to the purchase of goods and is recognised net of provisions for impairment of \$20.9 million (2019 \$21.1 million).

Critical accounting judgements and estimates

In the course of normal trading activities, management uses its judgement in establishing the carrying value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories. Actual expenses in future periods may be different from the provisions established and any such differences would impact future earnings of the Group.

COVID-19

Whilst the impact of COVID-19 has been considered, it did not have a material impact on the expected impairment loss on the closing receivables balance for the Group.

6. PROVISIONS

| | Consolidated | |
|---|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| Current | | |
| Employee entitlements ⁽¹⁾ | 103.3 | 93.2 |
| Environmental and decommissioning ⁽²⁾⁽³⁾ | 92.8 | 70.8 |
| Restructuring | 13.6 | 7.4 |
| Other | 15.5 | 21.7 |
| | 225.2 | 193.1 |
| Non-current | | |
| Employee entitlements ⁽¹⁾ | 19.4 | 23.0 |
| Retirement benefit obligations (see note 19b) | 313.6 | 307.5 |
| Environmental and decommissioning ⁽²⁾⁽³⁾ | 296.1 | 246.3 |
| Restructuring | 0.2 | 0.3 |
| Other | 10.1 | 9.1 |
| | 639.4 | 586.2 |

(1) \$63.0 million (2019 \$58.6 million) was expensed to the income statement in relation to employee entitlements during the year.

(2) Payments of \$48.2 million (2019 \$51.6 million) were made during the year in relation to environmental and decommissioning provisions.

(3) Provisions of \$43.5 million (2019 \$55.3 million) have been capitalised as part of the carrying value of land.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

6. PROVISIONS (continued)

The total environmental and decommissioning provision comprises:

| | Consolidated | |
|---|--------------|--------------|
| | 2020 \$m | 2019 \$m |
| Botany Groundwater remediation | 201.3 | 171.3 |
| Botany (HCB) waste | 31.3 | 41.1 |
| Burrup decommissioning | 56.5 | 21.7 |
| Initiating systems network optimisation | 27.9 | – |
| Deer Park remediation | 17.0 | 22.0 |
| Yarraville remediation | 19.3 | 24.6 |
| Other provisions | 35.6 | 36.4 |
| Total | 388.9 | 317.1 |

Recognition and Measurement

Employee Entitlements

A liability for employee entitlements is recognised for the amount expected to be paid where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and that obligation can be reliably measured.

Decommissioning

In certain circumstances, the Group has an obligation to dismantle and remove an asset and to restore the site on which it is located. The present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located are recognised as a depreciable asset with a corresponding provision being raised where a legal or constructive obligation exists.

At each reporting date, the liability is remeasured in line with changes in discount rates, timing and estimated cash flows. Any changes in the liability are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost.

Environmental

Estimated costs for the remediation of soil, groundwater and untreated waste are recognised when there is a legal or constructive obligation to remediate and the associated costs can be reliably estimated.

Where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the carrying value of that land, otherwise it is expensed.

The amount of provision reflects the best estimate of the expenditure required to settle the obligation having regard to a range of potential scenarios, input from subject matter experts on appropriate remediation techniques and relevant technological advances.

Individually significant items

As part of the Initiating Systems Network Optimisation (ISNO) project sites were identified for closure which has resulted in a \$27.9 million increase in the provision for environmental and decommissioning. As these costs are not expected to be recovered, the impact has been expensed to the income statement (see note 1e).

The redundancy costs associated with the operating model restructure and the ISNO project which have yet to be paid are included in the restructuring provision.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

6. PROVISIONS (continued)

Critical accounting judgements and estimates

Botany groundwater remediation

Orica's historical operations at the Botany Industrial Park resulted in contamination of the soil and groundwater. Due to the complex nature of the chemicals involved and its distribution (e.g. Dense Non-Aqueous Phase Liquid (DNAPL), the lack of known practical remediation approaches and the unknown scale of the contamination, a practical solution to completely remediate the contamination has not been found. Orica continues to work in close cooperation with the New South Wales (NSW) Environmental Protection Authority (EPA) to address the contamination.

Orica has a current obligation to contain and mitigate the effects of the contamination on the groundwater at the site. Orica and the NSW EPA entered into a Voluntary Management Proposal to contain groundwater contamination while an effective remediation approach to the DNAPL source contamination is identified.

The findings from Orica's FY2018 review indicated that the cessation of groundwater extraction using the Groundwater Treatment Plant (GTP) is possible within an 18-year timeframe. After this period, Orica anticipates that the contamination levels will be materially below current levels and will be able to be managed through natural attenuation or less intensive technologies.

The technical review considered existing remediation technologies which would augment the existing 'pump and treat' methodology. One of these alternatives is being piloted, with the expectation that the operating costs of the GTP facility may reduce.

Orica regularly reviews the discount rate and inflation rate used in the provision calculation. A decrease in the 15-year Australian Government Bond rate, together with the discount unwind, partly offset by a reduction in the inflation rate has resulted in an increase to the provision of \$43.5 million. Orica has reflected this increase in the provision in the financial report with the expense included within interest.

Burrup decommissioning

Similar to Botany groundwater remediation the decrease in the Australian Government Bond rate resulted in a \$29.6 million increase to the provision. The increase has been included within additions to machinery, plant and equipment in note 7.

Provisions for other sites

For other sites where Orica has recognised a provision for environmental remediation, judgement is required in determining the future expenditure required to settle the obligation due to uncertainties in the assumptions regarding the nature or extent of the contamination, the application of relevant laws or regulations and the information available at certain locations where Orica no longer controls the site. Changes in these assumptions may impact future reported results. Subject to those factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provision balances are appropriate based on currently available information. However, considering the uncertainties noted above the costs incurred in future periods may be greater than or less than the amounts provided.

Contingent environmental liabilities

Botany – remediation of source contamination

Specifically related to the remediation of DNAPL source contamination a reliable estimate of the costs to complete remediation is not possible given the lack of proven remediation techniques that can be effectively deployed at the site and uncertainty of the scale of the DNAPL contamination. This position was confirmed during the year when management held a strategy workshop with both remediation experts and the NSW EPA to review developments in applicable technology, the level of assessed contamination and whether alternate remediation approaches could be implemented.

Other sites

In respect of historical and current operations, certain sites owned or used by the Group may require future remediation actions.

Sites with significant uncertainties relating to the following are disclosed as contingent liabilities:

- Sites where contamination is known or likely to exist, however the impact cannot be reliably measured due to uncertainties related to the extent of Orica's remediation obligations or the remediation techniques that may be utilised; or
- Sites where known contamination exists but does not pose a current threat to human health or the environment, therefore no regulatory or formal remediation action is probable.

Any costs associated with these matters are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

7. PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Owned assets | | Leased assets | | Total \$m |
|--|---|---|---|---|----------------|
| | Land, buildings and improvements \$m | Machinery, plant and equipment \$m | Land, buildings and improvements \$m | Machinery, plant and equipment \$m | |
| 2019 | | | | | |
| Cost | 760.7 | 5,072.6 | – | – | 5,833.3 |
| Accumulated impairment losses | – | (161.7) | – | – | (161.7) |
| Accumulated depreciation | (288.0) | (2,484.0) | – | – | (2,772.0) |
| Total carrying value | 472.7 | 2,426.9 | – | – | 2,899.6 |
| Movement | | | | | |
| Carrying amount at the beginning of the year | 475.2 | 2,391.0 | – | – | 2,866.2 |
| Additions | 10.6 | 291.7 | – | – | 302.3 |
| Disposals through disposal of entities (see note 15) | (10.1) | (14.9) | – | – | (25.0) |
| Disposals | (1.4) | (9.7) | – | – | (11.1) |
| Depreciation expense | (17.5) | (213.7) | – | – | (231.2) |
| Write down of property, plant & equipment | – | (155.0) | – | – | (155.0) |
| Transfer from intangible assets (see note 8) | – | 35.6 | – | – | 35.6 |
| Foreign currency exchange differences | 15.9 | 101.9 | – | – | 117.8 |
| Carrying amount at the end of the year | 472.7 | 2,426.9 | – | – | 2,899.6 |
| 2020 | | | | | |
| Cost | 761.1 | 5,335.1 | 193.8 | 167.5 | 6,457.5 |
| Accumulated impairment losses | – | (194.8) | – | – | (194.8) |
| Accumulated depreciation | (333.7) | (2,542.0) | (25.9) | (44.7) | (2,946.3) |
| Total carrying value | 427.4 | 2,598.3 | 167.9 | 122.8 | 3,316.4 |
| Movement | | | | | |
| Carrying amount at the beginning of the year | 472.7 | 2,426.9 | – | – | 2,899.6 |
| Transition adjustment to AASB 16 | – | – | 140.1 | 110.0 | 250.1 |
| Additions | 16.1 | 311.5 | 25.4 | 57.4 | 410.4 |
| Additions through acquisitions of entities (see note 14) | 38.9 | 165.8 | 32.4 | 2.3 | 239.4 |
| Disposals | – | (6.0) | – | – | (6.0) |
| Transfers between property, plant & equipment assets | (64.4) | 64.4 | – | – | – |
| Depreciation expense | (28.7) | (213.4) | (25.9) | (44.7) | (312.7) |
| Impairment expense (see note 9) | – | (33.1) | – | – | (33.1) |
| Foreign currency exchange differences | (7.2) | (117.8) | (4.1) | (2.2) | (131.3) |
| Carrying amount at the end of the year | 427.4 | 2,598.3 | 167.9 | 122.8 | 3,316.4 |

Individually significant items

As part of the ISNO project the Group recognised an impairment of \$33.1 million (refer to note 9).

Capital expenditure commitments

Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable no later than one year was \$77.1 million (2019 \$92.3 million) and later than one but less than five years was \$3.1 million (2019 nil).

Recognition and Measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item and includes capitalised interest (refer to note 3). Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The right of use asset at initial recognition reflects the lease liability adjusted for any lease payments made before the commencement date plus any make good obligations and initial direct costs incurred (refer to note 3). The leases recognised by the Group under AASB 16 predominantly relate to property leases including offices and storage as well as plant & equipment leases including vehicles and rail cars (refer to note 24).

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Critical accounting judgements and estimates

Management reviews the appropriateness of useful lives of assets at least annually, any changes to useful lives may affect prospective depreciation rates and asset carrying values. Depreciation is recorded on a straight line basis using the following useful lives:

| | Owned assets | Right of use assets – leased |
|--------------------------------|----------------|------------------------------|
| Land | Indefinite | 1 to 70 years |
| Buildings and improvements | 25 to 40 years | 1 to 20 years |
| Machinery, plant and equipment | 3 to 40 years | 1 to 15 years |

8. INTANGIBLE ASSETS

| Consolidated | Goodwill \$m | Patents, trademarks and rights \$m | Software \$m | Other \$m | Total \$m |
|---|-----------------|---|-----------------|--------------|----------------|
| 2019 (restated) | | | | | |
| Cost ⁽¹⁾ | 2,670.1 | 162.7 | 556.4 | 165.2 | 3,554.4 |
| Accumulated impairment losses | (1,475.9) | – | (51.0) | – | (1,526.9) |
| Accumulated amortisation | – | (98.8) | (133.6) | (100.5) | (332.9) |
| Net carrying amount | 1,194.2 | 63.9 | 371.8 | 64.7 | 1,694.6 |
| Movement | | | | | |
| Carrying amount at the beginning of the year ⁽¹⁾ | 1,055.3 | 269.3 | 321.0 | 57.3 | 1,702.9 |
| Additions | – | – | 116.7 | 14.5 | 131.2 |
| Adjustment on acquisition of entities | (6.3) | – | – | – | (6.3) |
| Disposals through disposal of entities | – | (2.1) | – | – | (2.1) |
| Transfer between intangible assets | 167.8 | (167.8) | – | – | – |
| Transfer to property, plant & equipment (see note 7) | – | (35.6) | – | – | (35.6) |
| Amortisation expense | – | (5.1) | (28.5) | (11.6) | (45.2) |
| Impairment expense | – | – | (36.1) | – | (36.1) |
| Foreign currency exchange differences | (22.6) | 5.2 | (1.3) | 4.5 | (14.2) |
| Carrying amount at the end of the year | 1,194.2 | 63.9 | 371.8 | 64.7 | 1,694.6 |
| 2020 | | | | | |
| Cost | 2,630.3 | 210.7 | 621.3 | 182.0 | 3,644.3 |
| Accumulated impairment losses | (1,475.9) | – | (114.4) | – | (1,590.3) |
| Accumulated amortisation | – | (127.4) | (77.4) | (105.1) | (309.9) |
| Net carrying amount | 1,154.4 | 83.3 | 429.5 | 76.9 | 1,744.1 |
| Movement | | | | | |
| Carrying amount at the beginning of the year | 1,194.2 | 63.9 | 371.8 | 64.7 | 1,694.6 |
| Additions | – | – | 165.3 | 18.2 | 183.5 |
| Additions through acquisitions of entities (see note 14) | 6.3 | 28.6 | – | 13.9 | 48.8 |
| Transfer between intangible assets | – | – | – | – | – |
| Amortisation expense | – | (6.0) | (19.0) | (13.6) | (38.6) |
| Impairment expense | – | – | (63.4) | – | (63.4) |
| Foreign currency exchange differences | (46.1) | (3.2) | (25.2) | (6.3) | (80.8) |
| Carrying amount at the end of the year | 1,154.4 | 83.3 | 429.5 | 76.9 | 1,744.1 |

(1) Restated for the retrospective application of IAS 12 *Income taxes*, following *IFRIC agenda decision*, due to change in Orica accounting policy, refer to note 24 for further details.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

8. INTANGIBLE ASSETS (continued)

Individually significant items

As part of the impairment review and the transition to the new SAP operating system the Group recognised an impairment charge of \$63.4 million (refer to note 9).

Recognition and Measurement

Unidentifiable intangibles – Goodwill

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually.

Identifiable intangibles

Identifiable intangible assets with a finite life are amortised on a straight line basis over their expected useful life to the Group, being up to thirty years. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is expensed as incurred.

Critical accounting judgements and estimates

Management reviews the appropriateness of useful lives of assets at least annually, any changes to useful lives may affect prospective amortisation rates and asset carrying values.

In calculating the Goodwill associated with the acquisition of Exsa, management has applied a number of valuation techniques to determine the fair value of assets acquired. Refer to note 14 for further details.

9. IMPAIRMENT TESTING OF ASSETS

Recognition and Measurement

Methodology

Formal impairment tests are carried out annually for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The Group conducts an internal review of asset values at each reporting period, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors, are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement to reduce the carrying amount in the balance sheet to its recoverable amount. The recoverable amount is determined using the higher of value in use or fair value less costs to dispose. Value in use is the present value of the estimated future cash flows. Value in use is determined by applying assumptions specific to the Group's continued use and does not consider future development. The value in use calculations use cash flow projections which do not exceed five years based on actual operating results and the operating budgets approved by the Board of Directors. Fair value less costs to dispose is the value that would be received in exchange for an asset in an orderly transaction.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash-generating units (CGU). CGUs are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets with each CGU being no larger than a segment. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The test of goodwill and its impairment is undertaken at the segment level.

Key assumptions

| | Post-tax discount rates | Weighted average post-tax discount rates | Terminal growth rates | Weighted average terminal growth rate | Goodwill |
|------------------------------|----------------------------|---|--------------------------|--|----------------|
| | 2020 % | 2020 % | 2020 % | 2020 % | 2020 \$m |
| Australia Pacific & Asia | 7.1-13.4 | 10.3 | 0.5-7.3 | 3.9 | 552.9 |
| North America | 7.5 | 7.5 | 1.6 | 1.6 | 155.8 |
| Latin America | 8.1-13.8 | 8.9 | 2.3-5.5 | 3.6 | 126.8 |
| Europe, Middle East & Africa | 6.8-18.0 | 9.6 | 1.2-11.5 | 3.6 | 203.8 |
| Minova | 8.1-9.5 | 9.1 | 1.2-7.3 | 2.6 | – |
| Orica Monitor | 7.4-9.0 | 8.9 | 2.0-2.6 | 2.6 | 115.1 |
| Global Support | 9.0 | 9.0 | 2.6 | 2.6 | – |
| Total | | | | | 1,154.4 |

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

9. IMPAIRMENT TESTING OF ASSETS (continued)

| | Post-tax discount rates | Weighted average post-tax discount rates | Terminal growth rates | Weighted average terminal growth rate | Goodwill |
|------------------------------|----------------------------|---|--------------------------|--|----------------|
| | 2019 % | 2019 % | 2019 % | 2019 % | 2019 \$m |
| Australia Pacific & Asia | 7.9-12.3 | 10.2 | 0.5-7.7 | 3.6 | 574.8 |
| North America | 8.4 | 8.4 | 1.6 | 1.6 | 149.7 |
| Latin America | 9.4-12.4 | 10.4 | 1.5-5.5 | 3.7 | 142.1 |
| Europe, Middle East & Africa | 7.5-21.5 | 9.6 | 1.2-11.7 | 4.5 | 212.5 |
| Minova | 8.8-10.5 | 9.8 | 1.2-7.7 | 2.2 | – |
| Orica Monitor ⁽¹⁾ | 8.0-9.8 | 9.5 | 2.0-2.6 | 2.5 | 115.1 |
| Global Support | 9.8 | 9.8 | 2.6 | 2.6 | – |
| Total | | | | | 1,194.2 |

(1) Restated for the retrospective application of IAS 12 *Income taxes*, following *IFRIC agenda decision*, due to change in Orica accounting policy, refer to note 24 for further details.

Critical accounting judgements and estimates

2020

Intangible Assets

As part of the impairment review and the transition to the new SAP operating system, Orica identified \$63.4 million of historic IT assets that would no longer be utilised by the business.

Property, plant and equipment

The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This project is expected to result in a substantial increase in the IS plant network's utilisation by 2024.

As part of these plans, the Minden, Hallowell and Tappen plants will cease production, with further rationalisation of other manufacturing facilities planned.

This has resulted in an impairment charge of \$33.1 million. In calculating the impairment charge management has used a value in use model to forecast the remaining cashflows to be generated by these plants before they cease production.

COVID-19

The Group continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. During FY2020, the Group experienced lower volumes at certain operated assets and temporary shutdowns at some customer sites. Whilst COVID-19 has caused disruption and uncertainty to the Group's operating and economic assumptions (such as commodity prices, demand and supply volumes, operating costs and discount rates), given the long lived nature of the majority of the Group's assets, COVID-19 in isolation was not considered an indicator of impairment for the Group's asset values at 30 September 2020.

Significant judgement is required in determining the following key assumptions used to calculate the value in use, which has been updated to reflect the increase in uncertainty and the current risk environment:

- Revenue growth
- Foreign exchange rates
- Discount rates
- Future cash flows

The potential impact of COVID-19 has been considered in formulating these assumptions.

Ultimately due to the ongoing uncertainty as to the extent and duration of COVID-19 restrictions and the overall impact on economic activity, actual results may materially differ from the Group's internal assumptions. This may result in reassessment of indicators of impairment for the Group's assets in future reporting periods.

2019

Intangible Assets

As part of the impairment review and the transition to the new SAP operating system, Orica identified \$36.1 million of IT assets that would no longer be utilised by the business.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

SECTION D. MANAGING FINANCIAL RISKS

Orica's Review of Operations and Financial Performance highlights funding and other treasury matters as material business risks that could adversely affect the achievement of future business performance.

This section discusses the principal market and other financial risks that the Group is exposed to and the risk management program, which seeks to mitigate these risks and reduce the volatility of Orica's financial performance.

10. FINANCIAL RISK MANAGEMENT

Financial risk factors

Financial risk management is carried out centrally by the Group's treasury function under policies approved by the Board.

The Group's principal financial risks are associated with:

- interest rate risk (note 10a);
- foreign exchange risk (note 10b);
- commodity price risk (note 10c);
- credit risk (note 10d); and
- liquidity risk (note 10e).

(a) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group is primarily exposed to interest rate risk on outstanding interest bearing liabilities. Non-derivative interest bearing assets are predominantly short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the Group to a fair value interest rate risk while borrowings issued at a variable rate give rise to a cash flow interest rate risk.

Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is managed within policies determined by the Board via the use of interest rate swaps and cross currency interest rate swaps. As at September 2020, fixed rate borrowings after the impact of interest rate swaps and cross currency swaps were \$1,462.7 million (2019 \$1,169 million), representing a fixed/floating split of 53% and 47% respectively (2019 58% and 42%).

Interest rate sensitivity

A 10% movement in interest rates without management intervention would have a \$5.0 million (2019 \$5.3 million) impact on profit before tax and a \$3.5 million (2019 \$3.7 million) impact on shareholders' equity.

(b) Foreign exchange risk

i) Foreign exchange risk – transactional

Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset, liability or cash flow will fluctuate due to changes in foreign currency rates.

The Group is exposed to foreign exchange risk due to foreign currency borrowings and sales and/or purchases denominated, either directly or indirectly, in currencies other than the functional currencies of the Group's subsidiaries.

Foreign exchange risk on foreign currency borrowings is managed using cross currency swaps and forward foreign exchange contracts. As at September, the notional balance of derivative contracts hedging foreign currency debt was \$1,477.1 million (2019 \$968.8 million).

In regard to foreign currency risk relating to sales and purchases, the Group may hedge up to 100% of committed exposures utilising a declining percentage over time methodology. Only exposures that can be forecast to a high probability are hedged. Transactions can be hedged for up to five years. The derivative instruments used for hedging purchase and sale exposures are bought vanilla option contracts and forward exchange contracts. Forward exchange contracts may be used only under Board policy for committed exposures and anticipated exposures expected to occur within 12 months. Bought vanilla option contracts may be used for all exposures. These contracts are designated as cash flow hedges and are recognised at their fair value. At reporting date, Orica held foreign exchange contracts with a net asset value of \$6.8 million (2019 net asset of \$1.6 million).

Foreign exchange sensitivity

The table below shows the Group's main exposure to foreign currency transactional risk (Australian dollar equivalent) and the effect on profit or loss and equity had exchange rates been 10% higher or lower than the year end rate with all other variables held constant.

The analysis takes into account all underlying exposures and related hedges but not the impact of any management actions that might take place if these events occurred.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

| | 2020 | | 2019 | |
|---|--------------|-------------|------------|------------|
| | USD \$m | EUR \$m | USD \$m | EUR \$m |
| Cash and cash equivalents | 123.4 | 18.5 | 125.4 | 12.2 |
| Trade and other receivables | 186.2 | 18.2 | 103.5 | 20.8 |
| Trade and other payables | (173.0) | (11.3) | (105.1) | (56.9) |
| Interest bearing liabilities | (1,765.5) | (62.2) | (1,566.6) | (62.4) |
| Net derivatives | 1,858.3 | 51.7 | 1,548.4 | 67.6 |
| Net exposure | 229.4 | 14.9 | 105.6 | (18.7) |
| Effect on profit/(loss) before tax | | | | |
| If exchange rates were 10% lower | 8.8 | 1.3 | 7.1 | (3.0) |
| If exchange rates were 10% higher | (7.2) | (1.0) | (5.8) | 2.6 |
| Increase/(decrease) in equity | | | | |
| If exchange rates were 10% lower | 17.8 | 1.2 | 8.2 | (1.5) |
| If exchange rates were 10% higher | (14.6) | (0.9) | (6.7) | 1.3 |

ii) Foreign currency risk – translational

Foreign currency earnings translation risk arises primarily as a result of earnings generated by foreign operations with functional currencies of USD, CAD, MXN, PEN, RUB and KZT being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At reporting date, Orica held no derivative contracts to hedge earnings exposures (2019 nil).

Net investment in foreign operations

Hedging of foreign investment exposures is undertaken primarily through originating debt in the functional currency of the foreign operation, or by raising debt in a different currency and swapping the debt to the currency of the foreign operation using derivative financial instruments. The remaining translation exposure is managed, where considered appropriate, using forward foreign exchange contracts, or cross currency interest rate swaps. As at reporting date, 33.4% of the Group's net investment in foreign operations was hedged (2019 33.8%).

(c) Commodity price risk

Commodity price risk refers to the risk that Orica's profit or loss or equity will fluctuate due to changes in commodity prices.

Natural gas or ammonia are the primary feedstocks in Orica's production process. Orica manages its contract portfolio so that on a mass balance basis it seeks to maintain a low risk position across the contract cycle such that material input cost variations are passed through to customers in price variations through rise and fall adjustments contained in all significant contracts.

The Group may enter into derivative contracts to hedge commodity price risk that is not eliminated via contractual or other commercial arrangements. At reporting date, Orica held no commodity derivative contracts (2019 net liability of \$8.7 million).

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Group is exposed to credit risk from trade and other receivables and financial instrument contracts.

The creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies. Credit limits are established and monitored for each customer, and these limits represent the highest level of exposure that a customer can reach. Trade credit insurance is purchased when required.

The Group manages bank counterparty risk by ensuring that actual and potential exposure is monitored daily against counterparty credit limits, which have been assigned based on counterparty credit ratings. The Group does not hold any credit derivatives to offset its credit exposures.

Orica's maximum exposure to credit risk as at 30 September is the carrying amount, net of impairment, of the financial assets as detailed in the table below:

| | 2020 \$m | 2019 \$m |
|-----------------------------|----------------|-------------|
| Financial assets | | |
| Cash and cash equivalents | 920.5 | 412.6 |
| Derivative assets | 152.2 | 171.4 |
| Trade and other receivables | 1,023.1 | 828.8 |
| Total | 2,095.8 | 1,412.8 |

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)**(e) Liquidity risk**

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.

The Group manages this risk via:

- maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- using instruments that are readily tradeable in the financial markets;
- monitoring duration of long-term debt;
- spreading, to the extent practicable, the maturity dates of long-term debt facilities; and
- comprehensively analysing all forecast inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

| | 2020 \$m | 2019 \$m |
|---|----------------|-------------|
| Unsecured bank overdraft facilities | | |
| Unsecured bank overdraft facilities available | 67.7 | 99.9 |
| Amount of facilities undrawn | 65.3 | 91.5 |
| Committed standby and loan facilities | | |
| Committed standby and loan facilities available | 4,256.0 | 3,562.9 |
| Amount of facilities unused | 1,510.0 | 1,534.4 |

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 25 October 2020 to 25 October 2030 (2019 27 May 2020 to 25 October 2030).

The contractual maturity of the Group's financial liabilities including estimated interest payments as at 30 September are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows and therefore differ from the carrying amount on the balance sheet:

| 2020 | 1 year or less \$m | 1 to 2 years \$m | 2 to 5 years \$m | Over 5 years \$m | Contractual cash flows \$m | Carrying amount \$m |
|--|-----------------------|---------------------|---------------------|---------------------|----------------------------------|---------------------------|
| Non derivative financial liabilities | | | | | | |
| Interest bearing liabilities, excluding lease liabilities | 718.7 | 93.7 | 900.8 | 1,574.9 | 3,288.1 | 2,741.0 |
| Lease liabilities | 71.1 | 59.4 | 109.0 | 138.2 | 377.7 | 298.7 |
| Trade and other payables | 1,166.0 | 11.6 | – | – | 1,177.6 | 1,177.6 |
| Derivative financial liabilities | | | | | | |
| Inflows | (335.0) | (19.0) | (55.4) | (643.7) | (1,053.1) | – |
| Outflows | 340.0 | 20.9 | 64.3 | 688.0 | 1,113.2 | 47.1 |
| Total | 1,960.8 | 166.6 | 1,018.7 | 1,757.4 | 4,903.5 | 4,264.4 |
| 2019 | 1 year or less \$m | 1 to 2 years \$m | 2 to 5 years \$m | Over 5 years \$m | Contractual cash flows \$m | Carrying amount \$m |
| Non derivative financial liabilities | | | | | | |
| Interest bearing liabilities, excluding lease liabilities | 155.2 | 576.2 | 809.5 | 939.7 | 2,480.6 | 2,032.8 |
| Lease liabilities | 0.3 | 0.1 | – | – | 0.4 | 0.4 |
| Trade and other payables | 1,275.8 | 7.1 | – | – | 1,282.9 | 1,282.9 |
| Derivative financial liabilities | | | | | | |
| Inflows | (811.3) | (0.1) | – | – | (811.4) | – |
| Outflows | 824.1 | 0.1 | – | – | 824.2 | 12.5 |
| Total | 1,444.1 | 583.4 | 809.5 | 939.7 | 3,776.7 | 3,328.6 |

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

The balance sheet includes financial assets and financial liabilities that are measured at fair value. These fair values are categorised into hierarchy levels that are representative of the inputs used in measuring the fair value.

| | |
|------------------|--|
| Valuation method | Level 1 – uses quoted prices for identical instruments in active markets. |
| | Level 2 – uses inputs for the asset or liability other than quoted prices that are observable either directly or indirectly. |
| | Level 3 – uses valuation techniques where one or more significant inputs are based on unobservable market data. |

At reporting date, other assets and other liabilities on the balance sheet included derivatives carried at fair value and categorised as Level 2 as the inputs are observable. There has been no movement between levels since prior year.

Valuation techniques include, where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models. Changes in default probabilities are included in the valuation of derivatives using credit and debit valuation adjustments.

The fair values of forward exchange contracts are calculated by reference to forward exchange market rates for contracts with similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market-based yield curve, which is independently derived and representative of Orica's cost of borrowings.

| | 2020 | | 2019 | |
|---|----------------|--------------------|----------------|--------------------|
| | Current \$m | Non-Current \$m | Current \$m | Non-Current \$m |
| Derivative financial instruments | | | | |
| Derivative assets | | | | |
| Designated as a hedge of interest bearing liabilities | 67.0 | 70.4 | – | 165.7 |
| Other | 14.8 | – | 5.7 | – |
| Total | 81.8 | 70.4 | 5.7 | 165.7 |
| Derivative liabilities | | | | |
| Designated as a hedge of interest bearing liabilities | – | (43.4) | – | – |
| Other | (3.7) | – | (12.5) | – |
| Total | (3.7) | (43.4) | (12.5) | – |

Financial assets and liabilities carried at amortised cost

The fair value of cash and cash equivalents, trade and other receivables (note 5), and trade and other payables (note 5) approximates their carrying amount due to their short maturity.

Interest bearing liabilities excluding lease liabilities have a carrying amount of \$2,741.0 million (2019 \$2,032.8 million). The carrying amount of bank and other loans which are primarily short-term in nature approximates fair value. Private Placement debt which is primarily long-term in nature has a carrying amount of \$2,587.9 million (2019 \$1,971.3 million) and a fair value of \$2,696.3 million (2019 \$2,042.4 million). Fair value of Private Placement debt is determined as the present value of future contracted cash flows discounted using standard valuation techniques at applicable market yields having regard to timing of cash flows.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where Orica currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. No financial assets or liabilities are currently held under netting arrangements.

Orica has entered into derivative transactions under International Swaps and Derivatives Association ('ISDA') master agreements that do not meet the criteria for offsetting but allow for the related amounts to be set-off in certain circumstances, such as the event of default. As Orica does not presently have a legally enforceable right of set-off, derivatives are presented on a gross basis on the balance sheet.

Derivatives and hedge accounting

The Group uses derivatives and other financial instruments to hedge its exposure to currency, interest rate and commodity price risk exposures arising from operational, financing and investing activities. Where applicable, these instruments are formally designated in hedge relationships as defined by AASB 9. To qualify for hedge accounting the Group formally designates and documents details of the hedge, risk management objective and strategy for entering into the arrangement and methodology used for measuring effectiveness.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

Hedge accounting relationships are categorised according to the nature of the risks being hedged:

| Hedge type | Description |
|----------------------|---|
| Fair value hedge | Hedges the change in fair value of recognised assets and liabilities. |
| Cash flow hedge | Hedges the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction. |
| Net investment hedge | Hedges the foreign currency translation exposure of the net assets of foreign operations. |

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Matching critical terms enables economic offset thereafter to be determined qualitatively.

Hedge ineffectiveness arises primarily from the counterparties' and the Group's own credit risk which is included in the fair value of the derivative hedge instrument but not the hedge item. During the current and prior financial years, there was no material impact on profit or loss resulting from hedge ineffectiveness.

AASB 9 also allows certain costs of hedging to be deferred in equity. Gains or losses associated with 'currency basis' cost of hedging are deferred in the cash flow hedge reserve as they are not material for separate disclosure. The amounts are systematically released to the income statement to align with the hedged exposure.

Effects of hedge accounting on financial position and performance**Fair value and cash flow hedges**

The table below shows the carrying amounts of the Group's Private Placement debt and the derivatives which are designated in fair value and/or cash flow hedge relationships⁽¹⁾ to hedge them:

- The carrying amount of the Private Placement debt includes foreign exchange remeasurements to year end rates and fair value adjustments when included in a fair value hedge;
- The breakdown of the hedging derivatives includes remeasurement of foreign currency notional values at year end rates, fair value movements due to interest rate risk, foreign currency cash flows designated into cash flow hedges, costs of hedging recognised in other comprehensive income and ineffectiveness recognised in the income statement; and
- Hedged value represents the carrying amount of the Private Placement debt adjusted for the carrying amount of the designated derivatives.

| | Carrying amount \$m | Fair value of derivatives | | | | | Hedged value \$m |
|------------------------|------------------------|---|--------------------------------------|--|--|--|---------------------|
| | | Foreign exchange notional @ spot \$m | Fair value interest rate risk \$m | Balance in cash flow hedge reserve ⁽³⁾ \$m | Recognised in income statement ⁽²⁾ \$m | Total carrying amount (asset)/liability \$m | |
| 2020 | | | | | | | |
| Private Placement debt | 2,587.9 | (75.2) | (51.2) | 31.7 | 0.7 | (94.0) | 2,493.9 |
| 2019 | | | | | | | |
| Private Placement debt | 1,971.3 | (148.6) | (33.8) | 14.5 | 2.2 | (165.7) | 1,805.6 |

(1) Individual derivative transactions may be included in more than one hedge type designation.

(2) Amounts recognised in the income statement are presented within financing costs.

(3) Includes cost of hedging as defined by AASB 9 of \$8.1 million (2019 \$2.4 million).

Net investment hedges

As at 30 September, hedging instruments designated in a net investment hedge consisted primarily of foreign currency debt and had a carrying amount of \$906.5 million (2019 \$939.9 million). During the period movements in the hedging instruments of \$62.6 million gain (2019 \$55.8 million loss) were recognised in the foreign currency translation reserve, with no ineffectiveness (2019 nil) recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

Derivatives and hedge accounting – significant accounting policies

Valuation: Derivatives are measured at fair value at inception, and subsequently remeasured to fair value at each reporting date.

| | Fair value hedges | Cash flow hedges | Net investment hedges |
|--|--|---|--|
| Gains or losses on fair value movements of the financial instrument | Recognised in the income statement, together with gains or losses in relation to the hedged item attributable to the risk being hedged. | The effective portion is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. | The effective portion is recognised in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the income statement. |
| Discontinuation of hedge accounting | The cumulative gain or loss that has been recorded to the carrying amount of the hedged item is amortised to the income statement using the effective interest method. | When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity. If the forecast transaction is no longer forecast to occur, the cumulative gain or loss is transferred immediately to the income statement. | Amounts remain deferred in the foreign currency translation reserve and are subsequently recognised in the income statement in the event of disposal of the foreign operation. |

Derivatives not in a designated hedge arrangement

Financial instruments that do not qualify for hedge accounting but remain economically effective, are accounted for as trading instruments. These instruments are classified as current and are stated at fair value, with any resultant gain or loss recognised in the income statement. The Group policy is to not hold or issue financial instruments for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

SECTION E. TAXATION

This section outlines the taxes paid by Orica and the impact tax has on the financial statements.

Orica has operations in more than 50 countries, with customers in more than 100 countries. In 2020, Orica paid \$175.6 million (2019 \$167.4 million) globally in corporate taxes and payroll taxes. Orica collected and remitted \$122.1 million (2019 \$109.1 million) globally in GST/VAT.

As Orica operates in a number of countries around the world, it is subject to local tax rules in each of those countries. Orica's tax rate is sensitive to the geographic mix of profits earned in different countries with different tax rates, as tax will be due in the country where the profits are earned. Many of the jurisdictions Orica has operations in have headline tax rates lower than 30%.

11. TAXATION**(a) Income tax expense recognised in the income statement**

| | Consolidated | |
|---|--------------|--------------|
| | 2020 \$m | 2019 \$m |
| Current tax expense | | |
| Current year | 112.5 | 98.4 |
| Deferred tax | (7.0) | 0.5 |
| Under provided in prior years | 1.5 | 9.7 |
| Total income tax expense in income statement | 107.0 | 108.6 |

(b) Reconciliation of income tax expense to prima facie tax payable

| | Consolidated | |
|--|---------------|---------------|
| | 2020 \$m | 2019 \$m |
| Income tax expense attributable to profit before individually significant items | | |
| Profit from operations before individually significant items | 454.9 | 555.0 |
| Prima facie income tax expense calculated at 30% on profit | 136.5 | 166.5 |
| Tax effect of items which (decrease)/increase tax expense: | | |
| variation in tax rates of foreign controlled entities | (12.6) | (23.4) |
| tax under provided in prior years | 1.5 | 9.7 |
| recognition of previously unbooked temporary differences | (16.6) | – |
| non creditable withholding taxes | 12.3 | 10.2 |
| non allowable interest deductions | 21.9 | 14.6 |
| non allowable share based payments | 1.6 | 3.7 |
| recognition of tax losses | (3.5) | (10.5) |
| sundry items | 5.3 | 6.9 |
| Income tax expense attributable to profit before individually significant items | 146.4 | 177.7 |
| Income tax expense attributable to individually significant items | | |
| Loss from individually significant items | (170.4) | (195.9) |
| Prima facie income tax expense calculated at 30% on individually significant items | (51.1) | (58.8) |
| Tax effect of items which (decrease)/increase tax expense: | | |
| variation in tax rates of foreign controlled entities | 2.6 | 0.3 |
| non allowable initiating systems network optimisation expense | 8.1 | – |
| non allowable operating model restructuring expense | 1.0 | – |
| non taxable gain on formation of China joint venture | – | (10.6) |
| Income tax expense attributable to loss on individually significant items | (39.4) | (69.1) |
| Income tax expense reported in the income statement | 107.0 | 108.6 |

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

11. TAXATION (continued)

(c) Income tax recognised in Equity

| | Consolidated | | | | | |
|---|----------------|-----------------------|----------------|---------------|-----------------------|-------------|
| | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| | Before tax | Tax (expense) benefit | Net of tax | Before tax | Tax (expense) benefit | Net of tax |
| Net gain/(loss) on hedge of net investments in foreign subsidiaries | 62.6 | (18.8) | 43.8 | (55.8) | 16.7 | (39.1) |
| Cash flow hedges | | | | | | |
| – Effective portion of changes in fair value | (16.5) | 4.9 | (11.6) | (14.6) | 4.4 | (10.2) |
| – Transferred to income statement | 7.9 | (2.3) | 5.6 | 27.2 | (8.2) | 19.0 |
| Exchange (loss)/gain on translation of foreign operations | (397.8) | 40.0 | (357.8) | 107.0 | 4.9 | 111.9 |
| Net actuarial loss on defined benefit obligations | (12.1) | 3.9 | (8.2) | (96.7) | 27.0 | (69.7) |
| Recognised in comprehensive income | (355.9) | 27.7 | (328.2) | (32.9) | 44.8 | 11.9 |
| Deductible share issue costs | (6.0) | 1.8 | (4.2) | – | – | – |
| Total recognised in equity | (361.9) | 29.5 | (332.4) | (32.9) | 44.8 | 11.9 |

(d) Recognised deferred tax assets and liabilities

| | Balance Sheet | | Income Statement | |
|--|---------------|------------------------------|------------------|------------|
| | 2020 | Restated ⁽¹⁾ 2019 | 2020 | 2019 |
| | \$m | \$m | \$m | \$m |
| Consolidated | | | | |
| Deferred tax assets | | | | |
| Trade and other receivables | 16.2 | 16.5 | (6.8) | 4.1 |
| Inventories | 25.2 | 18.8 | (3.6) | (3.6) |
| Property, plant and equipment | 55.2 | 60.5 | 6.3 | (19.5) |
| Intangible assets | 1.5 | 1.5 | – | 0.4 |
| Trade and other payables | 50.7 | 41.4 | (9.4) | (0.2) |
| Interest bearing liabilities | 39.8 | 39.1 | 20.3 | 26.2 |
| Provision for employee entitlements | 30.8 | 28.4 | (2.2) | (3.1) |
| Provision for retirement benefit obligations | 64.9 | 65.1 | 2.7 | 1.1 |
| Provisions for environmental and decommissioning | 87.6 | 88.9 | 3.8 | (0.3) |
| Provisions for other | 19.3 | 23.7 | 13.2 | (22.9) |
| Tax losses | 118.8 | 92.8 | (17.7) | 26.0 |
| Other items | 6.6 | 5.0 | 0.8 | (0.7) |
| Deferred tax assets | 516.6 | 481.7 | | |
| Less set-off against deferred tax liabilities | (207.6) | (164.5) | | |
| Net deferred tax assets | 309.0 | 317.2 | | |
| Deferred tax liabilities | | | | |
| Inventories | 10.8 | 6.3 | 4.5 | (2.0) |
| Property, plant and equipment | 200.3 | 198.7 | (19.7) | (8.1) |
| Intangible assets ⁽¹⁾ | 27.2 | 23.3 | (8.6) | 11.4 |
| Other items | 18.5 | 9.6 | 9.4 | (8.3) |
| Deferred tax liabilities | 256.8 | 237.9 | | |
| Less set-off against deferred tax assets | (207.6) | (164.5) | | |
| Net deferred tax liabilities | 49.2 | 73.4 | | |
| Deferred tax expense | | | (7.0) | 0.5 |

(1) Restated for the retrospective application of IAS 12 *Income taxes*, following *IFRIC agenda decision*, due to change in Orica accounting policy, refer to note 24 for further details.

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

11. TAXATION (continued)

| | Consolidated | |
|----------------------------------|--------------|-------------|
| | 2020 \$m | 2019 \$m |
| Tax losses not booked | 66.6 | 34.9 |
| Capital losses not booked | 79.5 | 84.8 |
| Temporary differences not booked | 122.9 | 168.8 |

Tax losses not booked expire between 2021 and 2031.

Recognition and Measurement

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax balances are determined by calculating temporary differences based on the carrying amounts of assets and liabilities for financial reporting purposes and their amounts for taxation purposes. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised in equity.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

11. TAXATION (continued)

Critical accounting judgements and estimates

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These include transfer pricing, indirect taxes and transaction-related issues. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The Group recognises liabilities for tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances or differences in opinions will alter outcomes which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the balance sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

Contingent tax liabilities

In the normal course of business, contingent liabilities may arise from tax investigations or legal proceedings. Where management are of the view that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, they are not provided for and are disclosed as contingent liabilities.

Consistent with other companies of the size and diversity of Orica, the Group is the subject of ongoing information requests, investigations and audit activities by tax and regulatory authorities in jurisdictions in which Orica operates. Orica co-operates fully with the tax and regulatory authorities. It is possible that Orica may incur fines and/or other penalties as a consequence of these investigations and audits.

(i) Brazilian Tax Action

The Brazilian Taxation Authority (BTA) is claiming unpaid taxes, interest and penalties of approximately \$25 million for the 1997 financial year relating to an alleged understatement of income based on an audit of production records. Orica believes BTA has misinterpreted those production records and recently received a favourable decision from the Brazilian Civil Court in relation to an excise dispute based on the same factual matter. This decision should support the income tax dispute.

ICI plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business which provides indemnity for amounts exceeding certain limits. The BTA has been granted a bank guarantee of up to approximately \$25 million.

(ii) Ghana Tax Audit

As a result of a tax audit, Ghana tax authorities have issued an assessment of approximately \$14 million. The Ghana assessment covers the period from 2010 to 2016. This assessment was unexpected and arrived with very limited supporting documentation and credible argument. Orica believes that the assessment is not in accordance with the tax law and is continuing to strongly defend the matter.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

SECTION F. GROUP STRUCTURE

Orica has a diverse spread of global operations, which includes controlled entities incorporated in over 50 countries, as well as entering strategic partnering arrangements with certain third parties. This section highlights the Group structure including Orica's controlled entities, as well as those where Orica holds less than 100% interest.

12. INVESTMENTS IN CONTROLLED ENTITIES**Recognition and Measurement**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries as defined in AASB 10 *Consolidated Financial Statements*.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

When the Group relinquishes control over a subsidiary, it derecognises its share of net assets. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the Group are eliminated in full.

Refer to note 23 for the list of investments in controlled entities.

13. EQUITY ACCOUNTED INVESTEEES AND JOINT OPERATIONS**(a) Investments accounted for using the equity method**

The table below shows material investments (based on carrying values). All other investments are included in "Individually immaterial".

| Name | Principle activity | Balance date | Ownership | | Profit/(loss) for the year | | Consolidated Carrying value | |
|--|------------------------------------|--------------|-----------|--------|----------------------------|----------|-----------------------------|----------|
| | | | 2020 % | 2019 % | 2020 \$m | 2019 \$m | 2020 \$m | 2019 \$m |
| Nelson Brothers, LLC ⁽¹⁾ | Manufacture and sale of explosives | 30-Sep | 50.0 | 50.0 | 6.0 | 8.0 | 38.7 | 40.8 |
| Nelson Brothers Mining Services LLC ⁽¹⁾ | Sale of explosives | 30-Sep | 50.0 | 50.0 | 8.6 | 7.6 | 32.8 | 37.1 |
| Poly Orica Management Co., Ltd ⁽²⁾ | Manufacture and sale of explosives | 31-Dec | 49.0 | 49.0 | 3.7 | 1.2 | 70.2 | 66.6 |
| Southwest Energy LLC ⁽¹⁾ | Sale of explosives | 30-Sep | 50.0 | 50.0 | 14.8 | 10.8 | 121.6 | 120.5 |
| Individually immaterial | Various | | | | 2.6 | 4.3 | 38.3 | 36.3 |
| | | | | | 35.7 | 31.9 | 301.6 | 301.3 |

(1) Entities are incorporated in USA

(2) Entity is incorporated in China

All equity accounted investees disclosed in the table above are classified as joint ventures.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

13. EQUITY ACCOUNTED INVESTEEES AND JOINT OPERATIONS (continued)

The following table summarises the financial information of significant equity accounted investees as included in their own financial statements.

Equity Accounted Investees

| 2020 | Nelson Brothers, LLC | Nelson Brothers Mining Services LLC | Poly Orica Management Co., Ltd | Southwest Energy LLC |
|--|---------------------------------|--|---|---------------------------------|
| Name | \$m | \$m | \$m | \$m |
| Balance Sheet | | | | |
| Current assets | 59.1 | 29.5 | 82.7 | 82.6 |
| Non-current assets | 72.6 | 17.3 | 79.0 | 76.1 |
| Current liabilities | (50.2) | (32.2) | (16.7) | (21.2) |
| Non-current liabilities | (29.0) | (1.7) | (2.0) | (6.9) |
| Net assets (100%) | 52.5 | 12.9 | 143.0 | 130.6 |
| Group's share of net assets | 26.3 | 6.5 | 70.1 | 65.3 |
| Income Statement | | | | |
| Revenue | 246.9 | 156.5 | 103.3 | 261.5 |
| Net profit | 10.5 | 15.9 | 8.8 | 25.5 |
| Total profit and comprehensive income (100%) | 10.5 | 15.9 | 8.8 | 25.5 |
| Group's share of total comprehensive income | 5.3 | 8.0 | 4.3 | 12.8 |
| Translation and other adjustments | 0.7 | 0.6 | (0.6) | 2.0 |
| Included in the Group's Income Statement | 6.0 | 8.6 | 3.7 | 14.8 |
| Dividends received by the Group | 6.3 | 8.9 | – | 7.8 |
| 2019 | Nelson Brothers, LLC | Nelson Brothers Mining Services LLC | Poly Orica Management Co., Ltd | Southwest Energy LLC |
| Name | \$m | \$m | \$m | \$m |
| Balance Sheet | | | | |
| Current assets | 62.0 | 34.7 | 71.5 | 84.5 |
| Non-current assets | 74.9 | 19.1 | 79.2 | 74.6 |
| Current liabilities | (52.8) | (36.1) | (14.8) | (33.4) |
| Non-current liabilities | (31.1) | (2.8) | – | (3.2) |
| Net assets (100%) | 53.0 | 14.9 | 135.9 | 122.5 |
| Group's share of net assets | 26.5 | 7.5 | 66.6 | 61.3 |
| Income Statement | | | | |
| Revenue | 295.8 | 178.8 | 34.7 | 137.8 |
| Net profit | 16.0 | 17.0 | 4.3 | 24.4 |
| Total profit and comprehensive income (100%) | 16.0 | 17.0 | 4.3 | 24.4 |
| Group's share of total comprehensive income | 8.0 | 8.4 | 2.1 | 12.1 |
| Translation and other adjustments | – | (0.8) | (0.9) | (1.3) |
| Included in the Group's income statement | 8.0 | 7.6 | 1.2 | 10.8 |
| Dividends received by the Group | 9.3 | 7.4 | – | 10.5 |

(b) Joint operations

The Group owns 50% interest of Yara Pilbara Nitrates Pty Ltd, with the remaining shares held by subsidiaries in the Yara International ASA Group.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

13. EQUITY ACCOUNTED INVESTEEES AND JOINT OPERATIONS (continued)**(c) Transactions with equity accounted investees**

Transactions during the year with equity accounted investees were:

| | 2020 \$m | 2019 \$m |
|--|-------------|-------------|
| Sales of goods to equity accounted investees | 447.8 | 439.5 |
| Purchase of goods from equity accounted investees | 105.9 | 110.0 |
| Dividend income received from equity accounted investees | 23.0 | 27.2 |

(d) Transactions with related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business.

Recognition and Measurement**Investments accounted for using the equity method**

The Group's interests in investments accounted for using the equity method comprise interests in associates and joint ventures.

An associate exists where Orica holds an interest in the equity of an entity, generally of between 20% and 50%, and is able to significantly influence the decisions of the entity. A joint venture is an arrangement in which the Group has joint control.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Orica recognises its share of any jointly held or incurred assets, liabilities, revenue and expenses in the consolidated financial statements under applicable headings.

14. BUSINESSES AND NON-CONTROLLING INTERESTS ACQUIRED**Consolidated – 2020****Acquisitions of business and controlled entities**

Business combinations are accounted for under the acquisition method when control is transferred to the Group, in accordance with AASB 3 *Business Combinations*. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The transaction costs are expensed in the income statement.

Since 30 April 2020, the Group has acquired 96.8% of Exsa S.A. ("Exsa"). Exsa is a listed company based in Peru which specialises in the manufacture and distribution of industrial explosives and has a world class initiating systems facility. This acquisition is expected to further Orica's strategic initiatives and growth targets in the Latin America region.

These financial statements include the provisional purchase price allocation to the acquired net assets. In accordance with AASB 3, a measurement period of up to one year following the acquisition date is permitted during which acquisition accounting can be finalised.

The valuation techniques used for measuring the fair value of material intangibles were the relief-from-royalty method and income approach. The relief-from-royalty method was used to value Exsa's brand and associated trademarks and patents and Intellectual Property. This method measures the after-tax royalties or licence fees saved by owning the intangible asset.

Exsa's customer contracts have been valued using the income approach (specifically the multi-period excess earnings method). This method considers the earnings that are reasonably attributable to the existing customers based on analysis of the customer churn, relevant sales, margins and contributory assets.

Material plant, property, and equipment assets were valued using primarily the replacement cost approach.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

For other material assets acquired and liabilities assumed, book value approximates to fair value.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. Changes in the Group's interest that do not result in a loss of control are accounted for as equity transactions.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

14. BUSINESSES AND NON-CONTROLLING INTERESTS ACQUIRED (continued)

The fair value of the identifiable assets and liabilities of Exsa as at the date of acquisition, based on the provisional fair value assessment, were:

| | Exsa S.A. \$m |
|---|------------------|
| Consideration | |
| cash paid | 169.6 |
| net cash acquired | (15.7) |
| Total consideration | 153.9 |
| Fair value of net assets of businesses/controlled entities acquired | |
| trade and other receivables | 46.9 |
| inventories | 55.6 |
| investments | 1.2 |
| property, plant and equipment | 204.7 |
| right of use assets | 34.7 |
| intangibles | 42.5 |
| other assets | 9.4 |
| deferred tax asset | 3.0 |
| payables and interest bearing liabilities | (224.7) |
| provision for employee entitlements | (3.6) |
| deferred income | (1.4) |
| other provisions | (5.3) |
| provision for deferred tax | (10.5) |
| Total fair value of net assets of businesses/controlled entities acquired | 152.5 |
| Non-controlling interest | 4.9 |
| Goodwill on acquisition | 6.3 |

The Group incurred acquisition-related costs of \$6.3 million. These amounts have been included in other expenses in the income statement for the year ended 30 September 2020. In addition the Group incurred a total of \$12.6 million associated with the issuance of equity securities related to the transaction. These amounts have been accounted for in accordance with AASB 9 as an offset to equity.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

Results contributed by acquired entities since acquisition date:

| | \$m |
|---|-------|
| Revenue for the period | 100.4 |
| Loss before tax for the period ⁽¹⁾ | 7.1 |

(1) Loss before tax includes individually significant items relating to Initiating Systems Network Optimisation of \$4.2 million and net finance costs of \$2.3 million.

If the acquisition had occurred on 1 October 2019, the unaudited operating revenue and profit before tax for the Group for the year to 30 September 2020 would have been:

| | \$m |
|---|-------|
| Revenue for the year | 255.5 |
| Loss before tax for the year ⁽²⁾ | 18.2 |

(2) Loss before tax includes individually significant items relating to Initiating Systems Network Optimisation of \$4.2 million and net finance costs of \$7.2 million.

The unaudited information at the time of acquisition was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses.

The goodwill of \$6.3 million comprises the value of the skills and technical talent of the acquired business' work force and the synergies expected to be achieved through integrating the business. Goodwill is allocated entirely to the Latin America segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

14. BUSINESSES AND NON-CONTROLLING INTERESTS ACQUIRED (continued)**Consolidated – 2019**

The Group did not acquire any businesses or entities in the year to 30 September 2019.

Accounting standards permit a measurement period of up to one year during which acquisition accounting finalised following the acquisition date. The Group have finalised acquisition accounting on the GroundProbe acquisition which occurred on 15 January 2018, resulting in an adjustment to the deferred tax liability and a corresponding reduction in goodwill.

| | 2019 \$m |
|----------------------------------|-------------|
| Goodwill as at 1 October 2018 | 116.4 |
| Adjusted deferred tax liability | (6.3) |
| Goodwill as at 30 September 2019 | 110.1 |

The deferred settlement for the additional 5% shareholding of Yara Pilbara Nitrates Pty Ltd (acquired in FY2018) was settled in the 2019 financial year.

15. BUSINESSES DISPOSED**Disposal of businesses/controlled entities**

The following businesses and controlled entities were disposed of:

2020

The Group has not disposed of any businesses or entities in the year to 30 September 2020.

2019

On the 25 June 2019 Orica (Weijai) Explosives Co Ltd, Jiangsu Orica Banqiao Mining Machinery Company Limited and Hunan Orica Nanling Civil Explosives Co., Ltd (China Businesses) were disposed by the Group in exchange for a 49% stake of the newly formed Joint Venture.

During September 2019 OOO Minova Ukraina and NorthWest Energetic Services LLC were disposed by the Group.

| | China Businesses \$m | Other \$m | Total \$m |
|---|----------------------------|--------------|--------------|
| Consideration | | | |
| fair value of net assets acquired/sale price | 65.4 | 5.5 | 70.9 |
| Cash disposed | (17.9) | (0.1) | (18.0) |
| Net consideration | 47.5 | 5.4 | 52.9 |
| Less further disposal costs | (6.0) | (0.1) | (6.1) |
| Net consideration | 41.5 | 5.3 | 46.8 |
| Carrying value of net assets of businesses/controlled entities disposed | | | |
| trade and other receivables | 11.3 | 2.2 | 13.5 |
| inventories | 7.7 | 3.3 | 11.0 |
| property, plant and equipment | 17.4 | 7.6 | 25.0 |
| intangibles | 1.9 | 0.2 | 2.1 |
| other assets | 2.3 | 0.3 | 2.6 |
| trade and other payables | (7.8) | (7.3) | (15.1) |
| foreign currency translation reserve | (31.3) | (1.6) | (32.9) |
| | 1.5 | 4.7 | 6.2 |
| Less: Non-controlling interests at date of disposal | (10.2) | (2.9) | (13.1) |
| Profit on sale of business/controlled entities | 50.2 | 3.5 | 53.7 |

The disposals resulted in a net cash outflow of \$12.6 million being the cash disposed in the China businesses offset by the net consideration received for OOO Minova Ukraina and Northwest Energetic Services LLC.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

16. PARENT COMPANY DISCLOSURE – ORICA LIMITED

| | Company | |
|--|----------------|----------------|
| | 2020 \$m | 2019 \$m |
| Total current assets | 1,479.6 | 1,088.6 |
| Total assets | 3,045.8 | 2,653.3 |
| Total current liabilities | 170.1 | 170.3 |
| Total liabilities | 171.6 | 522.2 |
| Equity | | |
| Ordinary shares | 2,659.1 | 2,138.0 |
| Retained earnings | 215.1 | (6.9) |
| Total equity attributable to ordinary shareholders of Orica Limited | 2,874.2 | 2,131.1 |
| Net profit and total comprehensive income for the year | 414.7 | 26.2 |

The Company did not have any contractual commitments for the acquisition of property, plant or equipment in the current or previous years.

Contingent liabilities and contingent assets

Under the terms of a Deed of Cross Guarantee entered into under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, each wholly owned subsidiary which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. A consolidated balance sheet and income statement for this closed group is shown in note 17.

Orica Limited guaranteed senior notes issued in the US Private Placement market in 2010, 2013, 2017 and 2020. The notes have maturities between calendar years 2020 and 2030 (2019: 2020 and 2030). Orica Limited has also provided guarantees for committed bank facilities.

17. DEED OF CROSS GUARANTEE

The parent entity, Orica Limited, and certain subsidiaries are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others.

The parties to the Deed are:

- Initiating Explosives Systems Pty Ltd
- Orica Australia Pty Ltd
- Orica Investments Pty Ltd
- Orica Explosives Holdings Pty Ltd
- Orica Explosives Holdings No 2 Pty Ltd
- Orica Explosives Technology Pty Ltd
- Orica IC Assets Pty Ltd

By entering into the Deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

17. DEED OF CROSS GUARANTEE (continued)

A consolidated income statement and consolidated balance sheet are shown below:

| | 2020 \$m | 2019 \$m |
|---|----------------|----------------|
| Summarised Balance Sheet | | |
| Current assets | | |
| Trade and other receivables | 429.4 | 260.4 |
| Inventories | 141.5 | 142.2 |
| Other assets ⁽¹⁾ | 20.5 | 11.9 |
| Total current assets | 591.4 | 414.5 |
| Non-current assets | | |
| Trade and other receivables | 2.3 | 2.6 |
| Equity accounted investees | 21.8 | 20.9 |
| Other financial assets | 6,977.6 | 7,573.4 |
| Property, plant and equipment | 1,334.3 | 1,251.2 |
| Intangible assets | 501.1 | 442.3 |
| Deferred tax assets | 75.7 | 4.1 |
| Total non-current assets | 8,912.8 | 9,294.5 |
| Total assets | 9,504.2 | 9,709.0 |
| Current liabilities | | |
| Trade and other payables | 356.9 | 548.7 |
| Interest bearing liabilities | 15.5 | – |
| Current tax liabilities | 62.3 | 11.4 |
| Provisions | 138.2 | 139.8 |
| Total current liabilities | 572.9 | 699.9 |
| Non-current liabilities | | |
| Trade and other payables | 1.7 | 0.2 |
| Interest bearing liabilities | 4,336.5 | 5,698.6 |
| Provisions | 339.8 | 322.7 |
| Total non-current liabilities | 4,678.0 | 6,021.5 |
| Total liabilities | 5,250.9 | 6,721.4 |
| Net assets | 4,253.3 | 2,987.6 |
| Equity | | |
| Ordinary shares | 2,659.1 | 2,138.0 |
| Reserves | 678.0 | 637.8 |
| Retained earnings | 916.2 | 211.8 |
| Total equity | 4,253.3 | 2,987.6 |
| Summarised Income Statement and retained profits | | |
| Profit before income tax expense | 1,041.0 | 104.8 |
| Income tax expense | (133.1) | (39.6) |
| Profit from operations | 907.9 | 65.2 |
| Retained profits at the beginning of the year | 211.8 | 383.9 |
| Actuarial losses recognised directly in equity | (10.9) | (34.3) |
| Ordinary dividends – interim | (67.0) | (83.5) |
| Ordinary dividends – final | (125.6) | (119.5) |
| Retained profits at the end of the year | 916.2 | 211.8 |

(1) Other assets include net tax receivables with Group entities outside the Deed of Cross Guarantee.

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

SECTION G. REWARD AND RECOGNITION

Orica operates in more than 50 countries and has more than 13,000 employees. This section provides insights into the reward and recognition of employees, in addition to the employee benefits expense and employee provisions disclosed in the income statement and note 6 respectively.

This section should be read in conjunction with the Remuneration Report, contained within the Directors' Report, which provides specific details on the setting of remuneration for Key Management Personnel.

18. EMPLOYEE SHARE PLANS AND REMUNERATION

The following plans have options or rights ("instruments") over Orica shares outstanding at 30 September 2019 and 30 September 2020:

The Long-Term Incentive Plan (LTIP)

Refer to Remuneration Report

Sign-on Rights

For a select group of senior managers who join Orica post allocation of an LTIP grant (and who generally have forgone at-risk remuneration from their previous employer) rights may be allocated at the discretion of the Orica Board.

Recognition and Measurement

The issued instruments are measured at fair value based on valuations prepared by PwC. The fair value is recognised in the income statement over the period that employees become entitled to the instruments.

Key Management Personnel compensation summary

As deemed under AASB 124 *Related Parties Disclosures*, Key Management Personnel (KMP) include each of the Directors, both Executive and Non-Executive, and those members of the Executive Committee who have authority and responsibility for planning, directing and controlling the activities of Orica.

A summary of the KMP compensation is set out in the following table:

| | Consolidated | |
|------------------------------|---------------|---------------|
| | 2020 \$000 | 2019 \$000 |
| Short-term employee benefits | 11,463.1 | 14,532.8 |
| Other long-term benefits | 73.5 | 220.5 |
| Post employment benefits | 306.2 | 301.8 |
| Share based payments | (409.1) | 5,148.1 |
| Termination benefits | – | – |
| | 11,433.7 | 20,203.2 |

Information regarding individual Directors and Executives compensation and some equity instrument disclosures as permitted by *Corporation Regulations 2M.3.03* are provided in the Remuneration Report.

19. DEFINED BENEFIT OBLIGATIONS

Recognition and Measurement

Contributions to defined contribution superannuation funds are recognised in the income statement in the year in which the expense is incurred.

For each defined benefit scheme, the cost of providing retirement benefits is expensed in the income statement so as to recognise current and past service costs, interest cost on net liabilities, and the effect of any curtailments or settlements. Actuarial gains and losses are recognised in other comprehensive income. The Group's net liabilities in respect of defined benefit pension plans is the present value of the future benefit employees have earned, less the fair value of any plan assets.

(a) Defined contribution pension plans

The Group contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2020 was \$32.4 million (2019 \$29.4 million).

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. DEFINED BENEFIT OBLIGATIONS (continued)**(b) Defined benefit pension plans**

The Group participates in several Australian and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. Information within these financial statements has been prepared by the local plan external actuaries. Orica were assisted by Willis Towers Watson to consolidate those results globally. During the year, the Group made employer contributions of \$27.3 million (2019 \$26.3 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$30.1 million for 2021.

(c) (i) Balance Sheet amounts

The amounts recognised in the balance sheet are determined as follows:

| | 2020 \$m | 2019 \$m |
|---|--------------|--------------|
| Present value of the funded defined benefit obligations | 750.8 | 754.0 |
| Present value of unfunded defined benefit obligations | 131.9 | 140.6 |
| Fair value of defined benefit plan assets | (569.2) | (587.2) |
| Deficit | 313.5 | 307.4 |
| Restrictions on assets recognised | 0.1 | 0.1 |
| Net liability in the balance sheet | 313.6 | 307.5 |
| Amounts in the balance sheet: | | |
| Liabilities | 314.0 | 307.9 |
| Assets | (0.4) | (0.4) |
| Net liability recognised in Balance Sheet at end of the year | 313.6 | 307.5 |

(c) (ii) Amounts recognised in the Income Statement

The amounts recognised in the Income Statement are as follows:

| | 2020 \$m | 2019 \$m |
|--|-------------|-------------|
| Current service cost | 17.2 | 14.8 |
| Interest cost on net defined benefit liabilities | 6.3 | 6.2 |
| Losses from immediate recognition | 0.4 | – |
| Past service cost | 0.2 | – |
| Total included in employee benefits expense | 24.1 | 21.0 |

(c) (iii) Amounts included in the Statement of Comprehensive Income

| | 2020 \$m | 2019 \$m |
|--|--------------|---------------|
| Actuarial gains/(losses) on defined benefit obligations: | | |
| Due to changes in demographic assumptions | (12.9) | 8.3 |
| Due to changes in financial assumptions | (8.2) | (129.0) |
| Due to experience adjustments | 11.5 | (9.2) |
| Total | (9.6) | (129.9) |
| Return on plan assets greater than discount rate | (2.5) | 33.2 |
| Total losses recognised via the Statement of Comprehensive Income | (12.1) | (96.7) |
| Tax benefit on total losses recognised via the Statement of Comprehensive Income | 3.9 | 27.0 |
| Total losses after tax recognised via the Statement of Comprehensive Income | (8.2) | (69.7) |

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. DEFINED BENEFIT OBLIGATIONS (continued)

(c) (iv) Reconciliations

| | 2020 \$m | 2019 \$m |
|---|--------------|--------------|
| Reconciliation of present value of the defined benefit obligations: | | |
| Balance at the beginning of the year | 894.6 | 743.0 |
| Current service cost | 17.2 | 14.8 |
| Interest cost | 21.9 | 26.4 |
| Actuarial losses | 9.6 | 129.9 |
| Contributions by plan participants | 1.0 | 1.1 |
| Benefits paid | (42.8) | (34.2) |
| Settlements/curtailments | 0.1 | - |
| Exchange differences on foreign funds | (18.9) | 13.6 |
| Balance at the end of the year | 882.7 | 894.6 |

| | 2020 \$m | 2019 \$m |
|--|--------------|--------------|
| Reconciliation of the fair value of the plan assets: | | |
| Balance at the beginning of the year | 587.2 | 528.2 |
| Interest income on plan asset | 15.6 | 20.2 |
| Return on plan assets greater than discount rate | (2.5) | 33.2 |
| Contributions by plan participants | 1.0 | 1.1 |
| Contributions by employer | 27.3 | 26.3 |
| Benefits paid | (42.8) | (34.1) |
| Other | - | (0.2) |
| Exchange differences on foreign funds | (16.6) | 12.5 |
| Balance at the end of the year | 569.2 | 587.2 |

The fair value of plan assets does not include any amounts relating to the Group's own financial instruments, property occupied by, or other assets used by, the Group.

| | 2020 \$m | 2019 \$m |
|---------------------------|--------------|--------------|
| Comprising: | | |
| Quoted in active markets: | | |
| Equities | 197.9 | 212.2 |
| Debt securities | 214.9 | 236.3 |
| Property | 11.1 | 15.2 |
| Other quoted securities | 87.9 | 71.1 |
| Other: | | |
| Property | 25.5 | 22.4 |
| Insurance contracts | 4.6 | 4.9 |
| Cash and cash equivalents | 27.3 | 25.1 |
| | 569.2 | 587.2 |

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. DEFINED BENEFIT OBLIGATIONS (continued)

The principal assumptions applied in determining the present value of defined benefit obligations and their bases were as follows:

- Rates of increase in pensionable remuneration, pensions in payment and healthcare costs: historical experience and management's long-term future expectations;
- Discount rates: prevailing long-term high quality bond yields, chosen to match the currency and duration of the relevant obligation; and
- Mortality rates: the local actuaries' designated mortality rates for the individual plans concerned.

The weighted averages for those assumptions and related sensitivity information are presented below. Sensitivity information indicates by how much the defined benefit obligations would increase or decrease if a given assumption were to increase or decrease with no change in other assumptions.

| | Weighted average of assumptions used p.a. | | Change in assumptions | |
|--|---|-------|-----------------------|-----------------|
| | 2020 | 2019 | +1% p.a. \$m | –1% p.a. \$m |
| Rate of increase in pensionable remuneration | 2.75% | 3.22% | 25.2 | (21.5) |
| Rate of increase in pension payments | 2.22% | 2.51% | 25.0 | (24.9) |
| Discount rate for pension plans | 2.37% | 2.53% | (108.3) | 135.5 |

The expected age at death for persons aged 65 is 87 years for men and 89.5 years for women at 30 September 2020. A change of one year in the expected age of death would result in an \$23.4 million movement in the defined benefit obligation at 30 September 2020.

Critical accounting judgements and estimates

The defined benefit obligation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of judgement in relation to assumptions for future salary and superannuation increases, long-term price inflation and bond rates. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

SECTION H. OTHER

This section includes additional financial information that is required by Australian Accounting Standards and which management considers to be relevant information for shareholders.

20. CONTINGENT LIABILITIES

Contingent liabilities relating to environmental uncertainties are disclosed in note 6 and those relating to taxation in note 11. All others are disclosed below.

(a) Guarantees, indemnities and warranties

- The Group has entered into various long-term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

(b) Legal, claims and other

There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.

Critical accounting judgements and estimates

Where management are of the view that potential liabilities that arise in the normal course of business have a low probability of crystallising or it is not possible to quantify them reliably, they are not provided for and are disclosed as contingent liabilities.

Legal proceedings

The outcome of currently pending and future legal, judicial, regulatory, administrative and other proceedings of a litigious nature ("Proceedings") cannot be predicted with certainty. Proceedings can raise complex legal issues and are subject to many uncertainties including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each Proceeding is brought and differences in applicable law. Thus, an adverse decision in Proceedings could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Therefore, it is possible that the financial position, results of operations or cash flows of the Group could be materially affected by an unfavourable outcome of those Proceedings. Proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes.

Warranties and Indemnities

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

21. AUDITOR'S REMUNERATION

| | Consolidated | |
|---|---------------|---------------|
| | 2020 \$000 | 2019 \$000 |
| Total remuneration received, or due and receivable, by the auditors for: | | |
| Audit services | | |
| Auditor of the Company – KPMG Australia | | |
| – Audit and review of financial reports | 4,781 | 3,557 |
| Auditor of the Company – overseas KPMG firms | | |
| – Audit and review of financial reports ⁽¹⁾ | 1,839 | 1,816 |
| | 6,620 | 5,373 |
| Other services | | |
| Auditor of the Company – KPMG Australia | | |
| – other services | 58 | 162 |
| | 58 | 162 |
| | 6,678 | 5,535 |

(1) Fees paid or payable for overseas subsidiaries' local statutory requirements.

From time to time, KPMG, the auditor of Orica, provides other services to the Group, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

22. EVENTS SUBSEQUENT TO BALANCE DATE**Dividends**

On 19 November 2020, the Directors declared a final dividend of 16.5 cents per ordinary share payable on 15 January 2021. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2020 and will be recognised in the FY2021 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2020, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

23. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2019 and 2020 (non-controlling interests shareholding disclosed if not 100% owned):

| Name of Entity | Place of incorporation if other than Australia |
|--|--|
| Company | |
| Orica Limited | |
| Controlled Entities | |
| ACF and Shirleys Pty Ltd ^(a) | |
| Alaska Pacific Powder Company | USA |
| Altona Properties Pty Ltd ^(b) – 37.4% | |
| Aminova International Limited | Hong Kong |
| Ammonium Nitrate Development and Production Limited – 9.3% | Thailand |
| Anbao Insurance Pte Ltd | Singapore |
| Arboleda S.A. | Panama |
| ASA Organizacion Industrial S.A. de C.V. | Mexico |
| Australian Fertilizers Pty Ltd ^(a) | |
| Barbara Limited | UK |
| Beijing Ruichy Minova Synthetic Material Company Limited | China |
| Breca Soluciones de Voladuras S.A.C. ^(c) | Peru |
| BST Manufacturing, Inc. | USA |
| CJSC (ZAO) Carbo-Zakk – 6.25% | Russia |
| Controladora DNS de RL de CV | Mexico |
| Dansel Business Corporation | Panama |
| Dyno Nobel VH Company LLC – 49% | USA |
| Eastern Nitrogen Pty Ltd ^(a) | |
| Emirates Explosives LLC – 35% | United Arab Emirates |
| Explosivos de Mexico S.A. de C.V. | Mexico |
| Explosivos Mexicanos S.A. de C.V. | Mexico |
| Exsa Chile SpA – 3.2% ^(c) | Chile |
| Exsa Colombia S.A.S. – 3.2% ^(c) | Colombia |
| Exsa S.A. – 3.2% ^(c) | Peru |
| Fortune Properties (Alrode) (Pty) Limited | South Africa |
| GeoNitro Limited – 69.4% | Georgia |
| GP FinCo Pty Limited ^(b) | |
| GP HoldCo Pty Limited | |
| GroundProbe Australasia Pty Ltd ^(b) | |
| GroundProbe Colombia S.A.S. | Colombia |
| GroundProbe do Brasil | Brazil |
| GroundProbe International Pty Ltd ^(b) | |
| GroundProbe North America LLC | USA |
| GroundProbe Peru S.A.C. | Peru |

| Name of Entity | Place of incorporation if other than Australia |
|---|--|
| GroundProbe Pty Ltd ^(b) | |
| GroundProbe South Africa (Proprietary) Ltd | South Africa |
| GroundProbe South America SA | Chile |
| GroundProbe Technologies Pty Ltd ^(b) | |
| GroundProbe (Nanjing) Mining Technology Co. Ltd | China |
| Hallowell Manufacturing LLC | USA |
| Holding EXSA S.A.C. – 3.2% ^(c) | Peru |
| Indian Explosives Private Limited | India |
| Initiating Explosives Systems Pty Ltd | |
| International Blasting Services Inc – 3.2% ^(c) | Panama |
| JSC “Orica CIS” | Russia |
| Minova Kazakhstan Limited Liability Partnership | Kazakhstan |
| LLC Orica Logistics | Russia |
| Minova Africa (Pty) Ltd – 25% | South Africa |
| Minova Africa Holdings (Pty) Limited | South Africa |
| Minova AG | Switzerland |
| Minova Arnall Sp. z o.o. | Poland |
| Minova Asia Pacific Ltd ^(a) | Taiwan |
| Minova Australia Pty Ltd ^(b) | |
| Minova Bohemia s.r.o. | Czech Republic |
| Minova CarboTech GmbH | Germany |
| Minova Codiv S.L. | Spain |
| Minova Ekochem S.A. | Poland |
| Minova Holding GmbH | Germany |
| Minova Holding Inc | USA |
| Minova International Limited | UK |
| Minova Ksante Sp. z o.o. | Poland |
| Minova MAI GmbH | Austria |
| Minova Mexico S.A. de C.V. | Mexico |
| Minova MineTek Private Limited | India |
| Minova Mining Services SA | Chile |
| Minova Nordic AB | Sweden |
| Minova Runaya Private Limited (49%) | India |
| Minova Weldgrip Limited | UK |
| Minova USA Inc | USA |
| Mintun 1 Limited | UK |
| Mintun 2 Limited | UK |
| Mintun 3 Limited | UK |

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

| Name of Entity | Place of incorporation if other than Australia |
|---|--|
| Mintun 4 Limited | UK |
| Orica Africa Holdings Limited | UK |
| Nitro Asia Company Inc. – 41.6% | Philippines |
| Nitro Consult AB | Sweden |
| Nitro Consult AS | Norway |
| Nitroamonia de Mexico S.A de C.V. | Mexico |
| Nobel Industrier AS | Norway |
| Nutnim 1 Limited | UK |
| Nutnim 2 Limited | UK |
| OOO Minova | Russia |
| Orica-CCM Energy Systems Sdn Bhd – 45% | Malaysia |
| Orica-GM Holdings Limited – 49% | UK |
| Orica Africa (Pty) Ltd | South Africa |
| Orica Argentina S.A.I.C. | Argentina |
| Orica Australia Pty Ltd | |
| Orica BKM SASU | Democratic Republic of Congo |
| Orica Belgium S.A. | Belgium |
| Orica Blast & Quarry Surveys Limited – 25% | UK |
| Orica Bolivia S.A. | Bolivia |
| Orica Brasil Ltda | Brazil |
| Orica Burkina Faso SARL | Burkina Faso |
| Orica Caledonie SAS | New Caledonia |
| Orica Canada Inc | Canada |
| Orica Canada Investments ULC | Canada |
| Orica Caribe, S.A. | Panama |
| Orica Centroamerica S.A. | Costa Rica |
| Orica Chile Distribution S.A. | Chile |
| Orica Chile S.A. | Chile |
| Orica Colombia S.A.S. | Colombia |
| Orica Cote D'Ivoire ^(d) | Ivory Coast |
| Orica Denmark A/S | Denmark |
| Orica Dominicana S.A. | Dominican Republic |
| Orica DRC SARL | Democratic Republic of Congo |
| Orica Eesti OU – 35% | Estonia |
| Orica Europe FT Pty Ltd ^(b) | |
| Orica Europe Investments Pty Ltd ^(a) | |
| Orica Europe GmbH & Co KG | Germany |
| Orica Europe Verwaltungs GmbH | Germany |

| Name of Entity | Place of incorporation if other than Australia |
|---|--|
| Orica Explosives Holdings Pty Ltd | |
| Orica Explosives Holdings No 2 Pty Ltd | |
| Orica Explosives Holdings No 3 Pty Ltd ^(b) | |
| Orica Explosives Research Pty Ltd ^(b) | |
| Orica Explosives Technology Pty Ltd | |
| Orica Explosivos Industriales, S.A. | Spain |
| Orica Finance Limited | |
| Orica Finance Trust ^(b) | |
| Orica Finland OY | Finland |
| Orica GEESP Pty Ltd ^(a) | |
| Orica Ghana Limited | Ghana |
| Orica Grace US Holdings Inc. | USA |
| Orica Holdings Pty Ltd ^(b) | |
| Orica Ibéria, S.A. | Portugal |
| Orica IC Assets Holdings Limited Partnership ^(b) | |
| Orica IC Assets Pty Ltd | |
| Orica IC Investments Pty Ltd ^(a) | |
| Orica International IP Holdings Inc. | USA |
| Orica International Pte Ltd | Singapore |
| Orica Investments (Indonesia) Pty Limited ^(b) | |
| Orica Investments (NZ) Limited | NZ |
| Orica Investments (Thailand) Pty Limited ^(b) | |
| Orica Investments Pty Ltd | |
| Orica Japan Co. Ltd | Japan |
| Orica Kazakhstan Joint Stock Company | Kazakhstan |
| Orica Logistics Canada Inc. | Canada |
| Orica Long Term Equity Incentive Plan Trust ^(b) | |
| Orica Malaysia Sdn Bhd ^(d) | Malaysia |
| Orica Mali SARL | Republic of Mali |
| Orica Mauritania SARL | Mauritania |
| Orica Med Bulgaria AD – 40% | Bulgaria |
| Orica Mining Services (Namibia) (Proprietary) Limited | Namibia |
| Orica Mining Services (Hong Kong) Ltd | Hong Kong |
| Orica Mining Services Peru S.A. | Peru |
| Orica Mining Services Portugal S.A. | Portugal |
| Orica Mining Services (Thailand) Limited | Thailand |
| Orica Mongolia LLC – 51% | Mongolia |
| Orica Mountain West Inc. | USA |
| Orica Mozambique Limitada | Mozambique |

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

| Name of Entity | Place of incorporation if other than Australia | Name of Entity | Place of incorporation if other than Australia |
|---|--|---|--|
| Orica New Zealand Limited | NZ | Orica USA Inc. | USA |
| Orica New Zealand Superfunds Securities Limited | NZ | Orica U.S. Services Inc. | USA |
| Orica Nitrates Philippines Inc – 4% | Philippines | Orica Venezuela C.A. – 49% | Venezuela |
| Orica Nitro Patlayıcı Maddeler Sanayi ve Ticaret Anonim Sirketi – 49% | Turkey | Orica Zambia Limited | Zambia |
| Orica Nitrogen LLC | USA | OriCare Canada Inc. | Canada |
| Orica Nominees Pty Ltd ^(b) | | Oricorp Comercial S.A. de C.V. | Mexico |
| Orica Norway AS | Norway | Oricorp Mexico S.A. de C.V. | Mexico |
| Orica Panama S.A. | Panama | Penlon Proprietary Limited ^(b) | |
| Orica Philippines Inc – 5.48% | Philippines | Project Grace | UK |
| Orica Portugal, S.G.P.S., S.A. | Portugal | Project Grace Holdings | UK |
| Orica Securities (UK) Limited | UK | Project Grace Incorporated | USA |
| Orica South Africa (Pty) Ltd – 26.47% | South Africa | PT GroundProbe Indonesia | Indonesia |
| Orica Share Plan Pty Limited ^(b) | | PT Kalimantan Mining Services | Indonesia |
| Orica Senegal SARL | Senegal | PT Kaltim Nitrate Indonesia – 10% | Indonesia |
| Orica Singapore Pte Ltd | Singapore | PT Orica Mining Services | Indonesia |
| Orica St. Petersburg LLC | Russia | Retec Pty Ltd ^(a) | |
| Orica Sweden AB | Sweden | Rui Jade International Limited | Hong Kong |
| Orica Sweden Holdings AB | Sweden | Sarkem Pty Ltd ^(a) | |
| Orica Tanzania Limited | Tanzania | White Lightning Holdings, Inc | Philippines |
| Orica UK Limited | UK | | |
| Orica US Finance LLC | USA | | |
| Orica US Holdings General Partnership | USA | | |

(a) Liquidated in 2020.

(b) No separate statutory accounts are required to be prepared in Australia.

(c) Acquired in 2020.

(d) Incorporated in 2020.

24. NEW ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

Changes in accounting policies

The Group assessed and applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) which were required to be applied from 1 October 2019. The adoption of these standards has not resulted in any material changes to the Group's financial statements and primarily impact disclosures.

(i) New and amended accounting standards and interpretations adopted

Effective from 1 October 2019 the Group adopted the following new accounting standards.

AASB 16 Leases

The Group adopted AASB 16 as of 1 October 2019.

The Group applied the modified retrospective approach under which the right of use asset on transition equalled the lease liability adjusted by the amount of any prepaid or accrued lease payments. For existing finance leases, the carrying amounts before transition represented the 30 September 2019 values assigned to the right of use asset and lease liability.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right of use assets and liabilities for low-value leases and leases with less than 12 months of lease term as at 1 October 2019. Costs for these leases were expensed to the income statement.
- Relied on its onerous lease assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before initial application as an alternative to an impairment review.
- Excluded initial direct costs from measuring the right of use assets at the date of initial application.
- Used hindsight when determining the lease term of the contract where it contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

24. NEW ACCOUNTING POLICIES AND ACCOUNTING STANDARDS (continued)

The impact on transition to AASB 16 on the Group's 1 October 2019 balance sheet was an increase in lease liabilities (included in interest bearing liabilities) of \$253.7 million, an increase in right of use assets (included in property, plant and equipment) of \$250.1 million, net adjustments to deferred tax assets of \$1.0 million, and a charge of \$2.6 million to retained earnings.

The carrying value of the Group's right of use assets at 30 September 2020 is \$290.7 million. During the period, depreciation of right of use assets of \$70.6 million was expensed, and \$12.6 million interest was recorded in net financing costs.

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised on the balance sheet at 1 October 2019 was 4.5%.

The below table shows the movement between the estimated liability as at 30 September 2019 and the liability recognised on 1 October 2019:

| | Consolidated |
|--|--------------------------|
| | 1 October 2019 \$m |
| Operating lease commitments at 30 September 2019 as disclosed in the Group's financial statements under AASB 117 | 249.9 |
| Adjusted for: | |
| Present value discounting of lease liabilities | (52.1) |
| Short-term leases | (20.0) |
| Extension and termination options reasonably certain to be exercised | 49.0 |
| Contracts reassessed as lease agreements under AASB 16 | 26.9 |
| Present value of existing finance leases at 30 September 2019 | 0.4 |
| Lease liabilities recognised at 1 October 2019 under AASB 16 | 254.1 |

The Group's activities as a lessor are not material and hence there was no significant impact on the financial statements on adoption of AASB 16.

The Group's new leases accounting policy applied from 1 October 2019 is detailed in note 3 and note 7.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Group adopted IFRIC 23 as of 1 October 2019. IFRIC 23 changes the method of calculating provisions for uncertain tax positions.

The Group previously recognised provisions based on the most likely amount of the liability, if any, for each separate uncertain tax position. This new interpretation requires a probability weighted average approach to be taken in situations where there is a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method remains in use.

The Group concluded that there is an opening retained earnings adjustment of \$10.2 million required on transition for the increase to the provision for uncertain tax positions.

IFRIC Agenda Decision – Multiple Tax Consequences of Recovering an Asset

The IFRS Interpretations Committee received a request about deferred tax when the recovery of the carrying amount of an asset gives rise to multiple tax consequences, specifically, where an entity acquires intangible assets as part of a business combination. The agenda decision in relation to this request confirmed how the tax base of an asset should be determined and how deferred tax should be measured and recognised.

In applying this decision from the IFRS Interpretations Committee, the Group has retrospectively recognised a deferred tax liability of \$5.0 million, with a corresponding increase to goodwill, in relation to intangible assets previously acquired as part of the GroundProbe acquisition in 2018. The opening balance of goodwill and deferred tax liability have been restated at 1 October 2019.

There is no impact to the consolidated statement of cash flows or the consolidated statement of profit or loss and other comprehensive income as a consequence of this changed interpretation.

A number of other new standards are effective from 1 October 2019, but they do not have a material impact on the Group's Annual Report.

(ii) New and amended accounting standards and interpretations issued but not yet effective

There are no new standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

We, Malcolm William Broomhead and Alberto Calderon, being Directors of Orica Limited, do hereby state in accordance with a resolution of the Directors that in the opinion of the Directors,

- (a) the consolidated financial statements and notes, set out on pages 72 to 124, and the Remuneration Report in the Directors' Report, set out on pages 50 to 70, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 September 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 17 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 September 2020.

The Directors draw attention to "About this report" on page 78 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



M W Broomhead
Chairman

Dated at Melbourne 19 November 2020



A Calderon
Managing Director and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of Orica Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Orica Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated balance sheet as at 30 September 2020
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Orica Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Implementation of global Enterprise Resource Planning system ("4S")
- Impairment of property, plant and equipment and intangible assets
- Environmental and decommissioning provisions and contingent liability disclosures
- Uncertain tax positions and contingent liability disclosure

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (Continued)



Implementation of global Enterprise Resource Planning system ("4S")

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>During the year the Group implemented a global Enterprise Resource Planning system. The implementation of this system, referred to as "4S", resulted in significant changes to the Group's financial reporting environment, including a change of the core general ledger used for financial reporting.</p> <p>The implementation of 4S introduced heightened audit risk as controls and processes established and embedded over a number of years required either changing or updating and migration into the new IT environment.</p> <p>This is a key audit matter due to the increased audit effort arising from the:</p> <ul style="list-style-type: none"> • Significant impact the changes in the financial reporting systems and automated controls have had on the Group's control environment during the year. This required us to understand the nature and extent of the changes, including the nature of the revised automated controls and system based calculations, and the associated impacts on financial reporting and our audit. There is an increased risk of ineffective controls and gaps in automated processes associated with the new system immediately following the implementation of 4S and prior to stabilisation of the system. • Financial reporting risks associated with migration of historical and current year financial data from the existing systems to 4S, including the specific risks associated with the system cut-over period. • The Group's use of temporary processes to supplement the system generated data to mitigate risks associated with the implementation of 4S. These supplemental processes included manual elements to record certain transactions related to revenue recognition and cost accruals. Manual processes are generally associated with a higher risk of error. <p>We involved Information Technology specialists to supplement our senior audit team members in assessing this key audit matter.</p> | <p>Working with our IT specialists, our procedures included:</p> <ul style="list-style-type: none"> • Throughout the 4S implementation project, we assessed the scope, competence and objectivity of the Group's Internal Auditors, and considered the findings from their work in relation to each phase of the project to further inform our audit approach. <p><i>During the 4S pre-implementation phase</i></p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's project governance and data migration plan specific to the implementation of 4S, through reading underlying documentation such as business process mapping documents and inquiries of key operational and IT management. • We obtained an understanding of the nature and extent of planned changes to the Group's processes, automated controls and system based calculations as they relate to financial reporting, to further inform our related audit approach. <p><i>During the 4S data migration phase and system cut-over period</i></p> <ul style="list-style-type: none"> • We tested key controls as they relate to the completeness and accuracy of the migration of historical and current year financial data to 4S. • We assessed the results of the Group's data conversion testing, data quality testing and reconciliations of financial data. <p><i>During the 4S post-implementation phase</i></p> <ul style="list-style-type: none"> • We tested the relevant general IT controls and IT application controls over financial reporting risks. Of particular focus were controls relating to system access, segregation of duties and change management. • We obtained an understanding of the Group's temporary processes to supplement the system generated data. We tested key controls as they relate to the manual elements of the supplemental processes to record certain transactions including revenue recognition and cost accruals. • On a sample basis, we assessed the transactions subject to temporary processes by (i) checking the integrity of manual calculations and (ii) comparing amounts from the Group's manual calculations to the amounts recorded in the financial statements. |

INDEPENDENT AUDITOR'S REPORT (Continued)**Impairment of property, plant and equipment (\$3,316.4M) and intangible assets (\$1,744.1M)**

Refer to Note 7 and Note 8 to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>A key audit matter for us was the recoverability of the Group's property, plant and equipment and intangible assets. This is a key audit matter due to the:</p> <ul style="list-style-type: none"> Size of the carrying value of property, plant and equipment and intangible assets (being 60% of total assets). Higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. Internal restructuring activities undertaken by the Group, including the scheduled closure of certain manufacturing sites which has resulted in impairment. Significant judgement we applied in evaluating the evidence available. <p>We focused on the following areas:</p> <ul style="list-style-type: none"> The approved plan for the Group's restructuring activities, and the forecast cash flows to be generated through to the proposed date of closure of identified manufacturing sites. The significant forward-looking assumptions the Group applied in the value in use model, including: <ul style="list-style-type: none"> Forecast operating cash flows: the Group has experienced business disruption in the current year as a result of COVID-19, which reduced business activity during the second half of FY20. These conditions, and the uncertainty of their continuation, increase the possibility of assets being impaired and the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group and the Group's future business plans when assessing the feasibility of the Group's forecast cashflows. | <p>Our procedures included:</p> <ul style="list-style-type: none"> We considered the appropriateness of the value in use method applied by the Group to perform the annual impairment test against the requirements of the accounting standards. We tested key controls in the Group's valuation process, such as Board approval of budgets and review and approval of the impairment assessment, including cash flow forecasts, by examining the review and approval of information by the Board. We compared the forecast cash flows contained in the value in use model to the future business plans approved by the Board, reflecting the expected rate of recovery for the Group from the impacts of COVID-19. We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. We assessed the accuracy of previous Group cash flow forecasts for the respective CGUs to inform our evaluation of current forecasts incorporated in the models. We considered the sensitivity of the models by varying key assumptions such as forecast operating cash flows, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. We challenged the Group's significant forecast cash flow and terminal growth rate assumptions in light of the impacts of COVID-19 and the expected rate of recovery in specific regions. We used our knowledge of the Group's operations, their past performance and our industry experience to evaluate the feasibility of these plans. We also compared forecast growth rates to authoritative published studies of industry trends and expectations, considering differences for the Group's operations. We assessed the scope, competence and objectivity of the Group's external expert engaged to assist with the determination of the discount rate for the respective CGUs. |

INDEPENDENT AUDITOR'S REPORT (Continued)
**Impairment of property, plant and equipment (\$3,316.4M) and intangible assets (\$1,744.1M)
(continued)**

Refer to Note 7 and Note 8 to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <ul style="list-style-type: none"> - Terminal growth rates: in addition to the uncertainties described above, the Group's models are highly sensitive to changes in terminal growth rates. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. - Discount rates: these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Units (CGUs) are subject to from time to time, and the approach to incorporating risks into the cash flows or discount rates. <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p> | <ul style="list-style-type: none"> • Working with our valuation specialists, we independently developed a discount rate range for each CGU, using publicly available market data for comparable entities, adjusted for risk factors specific to the Group and the industry it operates in. We compared the discount rates applied by the Group for each CGU to our acceptable range. • Working with our valuation specialists, we assessed the reasonableness of forecast cash flows by comparing the implicit earnings and asset multiples from the models to corresponding multiples of comparable entities. • We considered the appropriateness of the approach applied by the Group to determine the write down required to the specific manufacturing assets, against the requirements of the accounting standards. • We tested key controls in the Group's process for identifying assets impacted by the Group's restructuring program, including Steering Committee and Board review and approval of key decisions such as the specific sites considered for closure, timeframes and associated closure costs. • We recalculated the impairment charge in respect of certain manufacturing sites identified for closure against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding of the matter obtained from our testing and against the requirements of the accounting standards. |

INDEPENDENT AUDITOR'S REPORT (Continued)**Environmental and decommissioning provisions (\$388.9M) and contingent liability disclosures**

Refer to Note 6 to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>The estimation of environmental remediation and decommissioning provisions is considered a key audit matter due to the:</p> <ul style="list-style-type: none"> Inherent complexity associated with the Group's estimation of remediation costs, particularly for potential contamination of ground beneath established structures and long term legacy matters, and in gathering persuasive audit evidence thereon. Internal restructuring activities undertaken by the Group, including the scheduled closure of certain manufacturing sites which give rise to heightened focus on the nature, timing and amount of decommissioning costs that are expected to be incurred. <p>The complexity in estimating the Group's environmental and decommissioning provisions is influenced by:</p> <ul style="list-style-type: none"> The inherent challenges experienced by the Group in precisely determining the size and location of potential contamination beneath established structures. Current and potential future environmental and regulatory requirements and the impact on completeness of remediation activities within the provision estimate, including the activities which will be acceptable to regulators. The expected environmental remediation strategy and availability of any known techniques to remediate source contamination, in particular for treatment of Dense Non-Aqueous Phase Liquid source areas at Botany, New South Wales. Historical experience, and its use as a reasonable predictor when evaluating forecast costs. The expected timing of the expenditure given the long term nature of these exposures. | <p>Our procedures included:</p> <ul style="list-style-type: none"> We tested key controls relating to the completeness, size and location of the Group's identification of areas which contain contamination and the related recognition and measurement of provisions, including the Group's review and authorisation of cost estimates. We tested the accuracy of historical remediation provisions by comparing to actual expenditure. We used this knowledge to challenge the Group's current cost estimates and to inform our further procedures. We made enquiries of various personnel regarding the Group's strategy for remediating certain source contamination. We read correspondence with regulatory authorities to understand their views about acceptable remediation techniques and compared this with the assumptions made in the Group's provision models. We obtained the Group's quotations for remediation activities, as well as other internal and external underlying documentation for the Group's determination of required future activities, their timing and associated cost estimates. We compared them to the nature and quantum of cost contained in the provision balance. We assessed the scope, competence and objectivity of the Group's internal and external experts engaged to assist in the determination of strategies to remediate contamination and the costing of remediation activities. We checked consistency of the Group's internal and external experts' assumptions to other underlying internal documentation considered and tested by us. We challenged the Group where provisions were unable to be made for source contamination, in particular for treatment of Dense Non-Aqueous Phase Liquid source areas at Botany, New South Wales, in relation to the existence of information which would enable a reliable estimate of the provision to be made. We compared this to our understanding of the matter and the criteria in the accounting standards for recording a provision. We tested the mathematical accuracy of the Group's provision models. We assessed the Group's disclosures using our knowledge of the business and the requirements of the accounting standards. In particular, we focused on the disclosure of uncertainties associated with the provision or exposure. |

INDEPENDENT AUDITOR'S REPORT (Continued)**Uncertain tax positions and contingent liability disclosure**

Refer to Note 11 to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The Group's corporate structure reflects the nature of its global operations, which operate across multiple tax jurisdictions.</p> <p>A number of the Group's tax positions are presently subject to challenge by tax authorities. The ultimate outcome of these matters is inherently uncertain.</p> <p>Accounting for uncertain tax positions is a key audit matter due to:</p> <ul style="list-style-type: none"> • The Group undertaking transactions in a number of tax jurisdictions which require the Group to make significant judgements about the interpretation of tax legislation and the application of accounting standard requirements. • The changing tax environment where there have been significant developments to enhance transparency of tax arrangements. <p>We, with the involvement of our tax specialists, used significant judgment to assess the Group's position with reference to tax legislation, including the likely outcome of the Group's defence of its positions through legal appeal processes.</p> | <p>Working with our tax specialists, our procedures included:</p> <ul style="list-style-type: none"> • We compared the Group's accounting policy for recognition of tax provisions and disclosures of taxation contingent liabilities against the requirements of the accounting standards. • We tested the Group's key controls for identification and assessment of uncertain tax positions. Our testing included challenging senior management and the Group's taxation department by inspecting correspondence with tax authorities and the Group's external tax advisors for evidence of significant uncertain tax positions not identified by the controls. • We considered the Group's methodologies, assumptions and estimates for significant tax positions and the likelihood of future tax outflows. Our evaluation was based on application of our knowledge of the industry, tax legislation and current regulatory focus areas, and recent rulings relevant to the uncertain tax positions. • We read correspondence with relevant tax authorities and considered both external tax and legal advice provided to the Group to check for any information which was contradictory to the Group's conclusions. • We checked the settlement of tax positions previously challenged by local tax authorities to external underlying documentation, such as correspondence with tax authorities. • We compared the positions adopted by the Group to our knowledge of latest interpretations by tax authorities and court rulings to test the positions adopted and their impact on amounts recorded or reported in the financial statements against the requirements of the accounting standards. • We made independent enquiries of the Group's external legal advisors to identify litigation and claims related to the Group's legal appeals and uncertain tax position. We compared their responses to the assessment made by the Group. • We assessed the Group's disclosures in respect of uncertain tax positions against the requirements of the accounting standards and our understanding of the matters. |

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Information**

Other Information is financial and non-financial information in Orica Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

INDEPENDENT AUDITOR'S REPORT (Continued)**Report on the Remuneration Report****Opinion**

In our opinion, the Remuneration Report of Orica Limited for the year ended 30 September 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG
KPMG

A handwritten signature in black ink, appearing to read 'Penny Stragalinis', written over a light grey circular background.

Penny Stragalinis

Partner

Melbourne

19 November 2020

FIVE YEAR FINANCIAL STATISTICS

For the year ended 30 September

| Orica consolidated (\$m) | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------------|---------|---------|---------|---------|
| Profit & Loss | | | | | |
| Sales | 5,611.3 | 5,878.0 | 5,373.8 | 5,039.2 | 5,091.9 |
| Earnings before depreciation, amortisation, net borrowing costs and tax | 955.8 | 941.1 | 885.0 | 896.3 | 908.1 |
| Depreciation and amortisation (excluding goodwill) | (351.3) | (276.4) | (266.9) | (261.2) | (265.9) |
| Earnings before net borrowing costs and tax (EBIT) before individually significant items | 604.5 | 664.7 | 618.1 | 635.1 | 642.2 |
| Net borrowing costs | (149.6) | (109.7) | (121.3) | (71.7) | (84.3) |
| Individually significant items before tax | (170.4) | (195.9) | (375.3) | – | (4.6) |
| Taxation expense | (107.0) | (108.6) | (156.0) | (164.0) | (198.4) |
| Non-controlling interests | (9.2) | (5.4) | (13.6) | (13.2) | (12.1) |
| Profit/(loss) after tax and individually significant items | 168.3 | 245.1 | (48.1) | 386.2 | 342.8 |
| Individually significant items after tax attributable to members of Orica Limited | (131.0) | (126.8) | (372.3) | – | (46.3) |
| Profit after tax before individually significant items net of tax | 299.3 | 371.9 | 324.2 | 386.2 | 389.1 |
| Dividends/distributions | 192.6 | 203.0 | 181.2 | 197.1 | 283.5 |
| Financial Position | | | | | |
| Current assets | 2,664.0 | 1,835.8 | 1,960.3 | 1,784.8 | 1,577.9 |
| Property, plant and equipment | 3,316.4 | 2,899.6 | 2,866.2 | 2,741.5 | 2,725.3 |
| Equity accounted investees | 301.6 | 301.3 | 213.3 | 184.6 | 188.1 |
| Intangibles | 1,744.1 | 1,694.6 | 1,697.9 | 1,577.1 | 1,558.8 |
| Other non-current assets | 430.2 | 567.7 | 426.7 | 497.2 | 545.7 |
| Total assets | 8,456.3 | 7,299.0 | 7,164.4 | 6,785.2 | 6,595.8 |
| Current borrowings and payables | 1,944.2 | 1,336.7 | 1,357.2 | 1,084.1 | 1,382.9 |
| Current provisions and other liabilities | 225.2 | 297.9 | 254.2 | 213.2 | 207.9 |
| Non-current borrowings and payables | 2,368.9 | 1,979.4 | 2,010.7 | 1,937.4 | 1,562.9 |
| Non-current provisions and other liabilities | 732.0 | 659.6 | 574.3 | 587.0 | 658.9 |
| Total liabilities | 5,270.3 | 4,273.6 | 4,196.4 | 3,821.7 | 3,812.6 |
| Net assets | 3,186.0 | 3,025.4 | 2,968.0 | 2,963.5 | 2,783.2 |
| Equity attributable to ordinary shareholders of Orica Limited | 3,137.2 | 2,968.2 | 2,903.2 | 2,962.3 | 2,782.5 |
| Equity attributable to non-controlling interests | 48.8 | 57.2 | 64.8 | 1.2 | 0.7 |
| Total shareholders' equity | 3,186.0 | 3,025.4 | 2,968.0 | 2,963.5 | 2,783.2 |

FIVE YEAR FINANCIAL STATISTICS (Continued)

For the year ended 30 September

| Orica consolidated | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------|---------|---------|---------|---------|
| Number of ordinary shares on issue at year end (millions) | 405.9 | 380.6 | 379.2 | 377.0 | 374.9 |
| Weighted average number of ordinary shares on issue (millions) | 395.6 | 380.0 | 378.2 | 376.2 | 372.4 |
| Basic earnings per ordinary share | | | | | |
| – before individually significant items (cents) | 75.7 | 97.9 | 86.0 | 102.7 | 104.5 |
| – including individually significant items (cents) | 42.5 | 64.5 | (12.7) | 102.7 | 92.0 |
| Dividends per ordinary share (cents) | 33.0 | 55.0 | 51.5 | 51.5 | 49.5 |
| Dividend franking (percent) | – | 9.1 | – | 5.8 | 36.4 |
| Dividend yield – based on year end share price (percent) | 2.1 | 2.4 | 3.0 | 2.6 | 3.3 |
| Closing share price range – High | \$24.27 | \$22.97 | \$21.37 | \$21.03 | \$16.92 |
| Low | \$13.25 | \$16.31 | \$16.34 | \$15.57 | \$12.26 |
| Year end | \$15.43 | \$22.54 | \$17.03 | \$19.77 | \$15.20 |
| Stockmarket capitalisation at year end (\$m) | 6,262.7 | 8,578.2 | 6,548.0 | 7,454.1 | 5,698.9 |
| Net tangible assets per share (\$) | 3.43 | 3.36 | 3.18 | 3.67 | 3.26 |
| Ratios | | | | | |
| Profit margin – earnings before net borrowing costs and tax/sales (percent) | 10.8 | 11.3 | 11.5 | 12.6 | 12.6 |
| Net debt (excluding lease liabilities) (millions) | 1,820.5 | 1,620.6 | 1,648.3 | 1,440.9 | 1,549.4 |
| Gearing (net debt/net debt plus equity excluding lease liabilities) (percent) | 36.4 | 34.9 | 35.7 | 32.7 | 35.8 |
| Interest cover (EBIT/net borrowing costs excluding lease interest) (times) | 4.4 | 6.1 | 5.1 | 8.9 | 7.6 |
| Net capital expenditure on plant and equipment (Cash Flow) (\$m) | (312.9) | (226.0) | (153.0) | (210.7) | (123.9) |
| Net cash flow from (acquisition)/sale of businesses/controlled entities (\$m) | (153.9) | (14.0) | (252.8) | 9.5 | (13.3) |
| Return on average shareholders' funds | | | | | |
| – before individually significant items (percent) | 9.5 | 12.7 | 11.1 | 13.4 | 13.5 |
| – including individually significant items (percent) | 5.4 | 8.3 | (1.6) | 13.4 | 11.9 |

SHAREHOLDERS' STATISTICS

As at 11 November 2020

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

| Size of holding | Number of holders | | Number of shares | |
|------------------|-------------------|---------------|--------------------|---------------|
| 1–1,000 | 23,105 | 63.12 | 9,222,856 | 2.27 |
| 1,001–5,000 | 11,665 | 31.87 | 24,602,136 | 6.06 |
| 5,001–10,000 | 1,228 | 3.36 | 8,407,736 | 2.07 |
| 10,001–100,000 | 561 | 1.53 | 10,856,483 | 2.67 |
| 100,001 and over | 43 | 0.12 | 352,789,604 | 86.92 |
| Total | 36,602 | 100.00 | 405,878,815 | 100.00 |

Included in the above total are 297 shareholders holding less than a marketable parcel of 29 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 85.55% of that class of shares.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

| | Shares | % of total |
|--|--------------------|--------------|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 166,549,478 | 41.03 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 104,966,491 | 25.86 |
| CITICORP NOMINEES PTY LIMITED | 24,072,592 | 5.93 |
| NATIONAL NOMINEES LIMITED | 15,754,637 | 3.88 |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 11,234,444 | 2.77 |
| BNP PARIBAS NOMS PTY LTD <AGENCY LENDING DRP A/C> | 6,110,186 | 1.51 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 5,962,249 | 1.47 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 2,634,116 | 0.65 |
| AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED | 2,225,773 | 0.55 |
| ARGO INVESTMENTS LIMITED | 1,955,364 | 0.48 |
| THE SENIOR MASTER OF THE SUPREME COURT <COMMON FUND NO 3> | 1,406,117 | 0.35 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,060,879 | 0.26 |
| GWYNVILL INVESTMENTS PTY LTD | 711,574 | 0.18 |
| CARLTON HOTEL LIMITED | 541,764 | 0.13 |
| AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED | 500,000 | 0.12 |
| AMP LIFE LIMITED | 333,654 | 0.08 |
| BNP PARIBAS NOMS (NZ) LTD <DRP> | 333,244 | 0.08 |
| SECURITY PORTMAN PTY LTD | 312,750 | 0.08 |
| CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 301,376 | 0.07 |
| MR KWOK CHING CHOW & MS PIK YUN PEGGY CHAN | 299,247 | 0.07 |
| Total | 347,265,935 | 85.55 |

SHAREHOLDERS' STATISTICS (Continued)

REGISTER OF SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

| | | | |
|-----------------|------------------------------|------------|-------|
| 16 October 2020 | AustralianSuper Pty Ltd | 40,193,255 | 9.90% |
| 29 July 2020 | BlackRock Group | 25,052,218 | 6.17% |
| 20 May 2020 | Cooper Investors Pty Limited | 20,346,783 | 5.02% |
| 5 May 2020 | Harris Associates L.P. | 34,138,160 | 8.42% |
| 13 March 2020 | Vanguard Group | 24,400,327 | 6.03% |

VOTING RIGHTS

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (a) on a show of hands, one vote only; and
- (b) on a poll, one vote for every fully paid ordinary share held.

CORPORATE DIRECTORY

INVESTOR INFORMATION

Registered and Head Office

Orica Limited
Level 3, 1 Nicholson Street,
East Melbourne, Victoria
Australia 3002

Postal Address

PO Box 4311, Melbourne
Victoria, Australia 3001

P +61 3 9665 7111

INVESTOR RELATIONS

P +61 3 9665 7774
E investorrelations@orica.com

STOCK EXCHANGE LISTINGS

Orica's shares are listed on the Australian Securities Exchange (ASX) and are traded under the listing code ORI.

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW, Australia, 2000

Locked Bag A14
Sydney South
NSW, Australia 1235

Toll Free 1300 301 253 (Australia only)
International +61 1300 301 253

E orica@linkmarketservices.com.au
W www.linkmarketservices.com.au

2021 FINANCIAL CALENDAR

| | |
|--|------------------|
| Half Year Profit and Interim Dividend Announced | 13 May 2021 |
| Books Close for 2021 Interim Ordinary Dividend | 1 June 2021 |
| Last date to participate in Dividend Reinvestment Plan | 2 June 2021 |
| Interim Ordinary Dividend Paid | 9 July 2021 |
| Full Year Profit and Final Dividend Announced | 11 November 2021 |
| Books Close for 2021 Final Ordinary Dividend | 22 November 2021 |
| Last date to participate in Dividend Reinvestment Plan | 23 November 2021 |
| Full Year Ordinary Dividend Paid | 22 December 2021 |

The above dates are subject to change. Any changes will be notified through an announcement to the ASX.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of Orica Limited will be held **virtually (online) at agmlive.link/ORI20** on Tuesday, 22 December 2020 at 10.30am (AEDST).

WEBSITE

To view the 2020 annual report, corporate governance statement, shareholder and company information, news announcements, financial reports, sustainability report, historical information, background information on Orica visit the company website at www.orica.com.

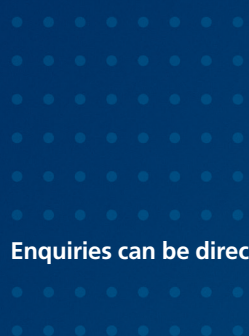
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Enquiries can be directed to companyinfo@orica.com