# DIRECTORS' REPORT – REMUNERATION REPORT

## Remuneration Report (audited)

### Contents of the Remuneration Report



## Section A. Remuneration Governance

### A.1 Human Resources and Compensation Committee composition, role and responsibility

The Human Resources and Compensation Committee (Committee) is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Group, including in particular, the 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:

- remuneration policy for senior executives;
- determination of levels of reward and the remuneration structure for senior executives, including short-term and long-term incentive plans;
- the company's compliance with applicable legal and regulatory requirements in respect of remuneration matters;
- approval of the allocation of shares and awards under the Long Term Equity Incentive Plan, General Equity Employee Share Plan and the Long Term Incentive Rights Plan.

In financial year 2014, the Committee comprised four Non-Executive Directors: Nora Scheinkestel (Chairman), Ian Cockerill, Lim Chee Onn and Maxine Brenner. Russell Caplan also attended all Committee meetings since being appointed Chairman of the Board.

### A.2 Use of Remuneration Consultants

In providing recommendations to the Committee, management received survey data sourced from external specialists and received external advice on matters relating to remuneration and prevailing regulatory and governance standards from Ernst & Young and 3 Degrees Consulting. No remuneration recommendations were received from Remuneration Consultants as defined under the Corporations Act 2001.

### A.3 Names and positions of Key Management Personnel

#### 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 Non-Executive Directors, are defined as Key Management Personnel (KMP) under accounting standards.

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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 Group but have no direct involvement in the day-to-day management of the business.

Particulars of Executives' qualifications, experience and responsibilities are detailed on pages 14 to 15 of the Annual Report.

| Name | Role | Commencement date in role | Country of Residence |
|---|---|---|---|
| **Executive Directors** | | | |
| Ian Smith | Managing Director and Chief Executive Officer | 27 February 2012 | Australia |
| Craig Elkington (1) | Executive Director Finance | 12 September 2014 | Australia |
| **Group Executives** | | | |
| Nick Bowen | Executive Global Head, Mining Services | 11 November 2013 | Australia |
| Tony Edmondstone | Executive Global Head, Supply | 4 February 2013 | Singapore |
| Richard Hoggard | Executive Global Head, Manufacturing | 1 October 2012 | Australia |
| Andrew Larke (2) | Executive Global Head, Chemicals, Strategy & Planning | 1 November 2013 | Australia |
| **Former Group Executives** | | **Date ceased to hold office** | **Country of residence** |
| Alison Andrew (2) | Executive Global Head, Chemicals | 1 November 2013 | New Zealand |
| Noel Meehan (3) | Executive Director Finance | 31 October 2013 | Australia |

(1) Craig Elkington was appointed Chief Financial Officer on 1 November 2013 and became Executive Director Finance on 12 September 2014. Prior to his appointment as Chief Financial Officer, Craig Elkington was Executive Global Head, Mining Services.
(2) Alison Andrew left Orica on 1 November 2013. Andrew Larke, previously Executive Global Head Strategy Planning and Mergers and Acquisitions assumed responsibility for Chemicals in addition to his existing duties.
(3) Noel Meehan retired on 31 October 2013 and Craig Elkington was appointed Chief Financial Officer on 1 November 2013.

**Non-Executive Directors**

The Non-Executive Directors who held office during financial year 2014 are set out below:

| Name | Role | Commencement date in role | Country of Residence |
|---|---|---|---|
| **Current Directors** | | | |
| Russell Caplan | Non-Executive Director, Chairman | 30 January 2014 | Australia |
| Maxine Brenner | Non-Executive Director | 8 April 2013 | Australia |
| Alberto Calderon | Non-Executive Director | 14 August 2013 | Australia |
| Ian Cockerill | Non-Executive Director | 12 July 2010 | South Africa |
| Lim Chee Onn | Non-Executive Director | 12 July 2010 | Singapore |
| Nora Scheinkestel | Non-Executive Director | 1 August 2006 | Australia |
| Gene Tilbrook | Non-Executive Director | 14 August 2013 | Australia |
| **Former Directors** | | **Date ceased to hold office** | **Country of residence** |
| Peter Duncan | Non-Executive Director, Chairman | 30 January 2014 | Australia |
| Michael Tilley | Non-Executive Director | 30 January 2014 | Australia |

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## Section B. Remuneration Policy and Structure

### B.1 Summary of Executive Remuneration Arrangements for financial year 2014

Orica's remuneration framework is designed to attract, motivate, reward and retain executives through a remuneration approach that is globally relevant, competitive, aligns with shareholder interests and has a high perceived value.

A summary of arrangements, key developments and outcomes in 2014 is set out in the table below.

| | Executive remuneration component | Payment vehicle | Performance measure | Specific targets / performance link | Key developments/ outcomes for financial year 2014 |
|---|---|---|---|---|---|
| Fixed | **Fixed Annual Remuneration (FAR)** | Cash, superannuation, other benefits | | FAR increases vary based on individual performance and market relativity | No increase in CEO FAR.<br><br>Modest increases in Executive FAR following no increase in FY2013. |
| At-risk remuneration | **Short Term Incentive Plan (STI Plan)** | Annual cash payment following the release of end of year results<br><br>Group and Personal performance objectives operate independently and the weighted result for each of the Group and Personal performance objectives is then multiplied together to determine the final STI amount | **Group Objective 1** Safety, Health & Environment (SHE) | Reductions in:<br>• Overdue actions from risk assessments<br>• All Worker Recordable Case Rate<br>• Process Excursions | A leading Safety, Health and Environment indicator measuring reduction in Overdue actions was introduced, further reinforcing Orica's commitment to improving Safety performance and outcomes.<br><br>In financial year 2014, safety and cash conversion performance improved on the previous year. Gross Margin was in line with financial year 2013 outcomes. EBIT and NPAT performance, while in line with financial year 2013 outcomes, was below the targets set. |
| | | | **Group Objective 2** Earnings measures | Improvements in:<br>• Earnings Before Interest & Tax [1]<br>• Net Profit After Tax [1] | |
| | | | **Group Objective 3** Margin measures | Improvements in:<br>• Gross Margin<br>• Cash Conversion | |
| | | | **Group Objective 4** Board discretion | | A range of outcomes was achieved against personal objectives. On average, the outcome on the personal performance component was between target and maximum for Executive KMP and reflected progress on key corporate initiatives. |
| | | | **Personal Objectives** 3 personal objectives and Board discretion | Functional and financial objectives specific to KMP area of influence | |
| | **Long Term Equity Incentive Plan (LTEIP)** | Loan-based share plan, assessed over a 3 year period where up to 35% of loan is forgiven if performance hurdles are achieved | For grants made:<br>• Earnings per Share (EPS) growth<br>• Relative Total Shareholder Return (TSR)<br><br>For grants tested: EPS only | Compound annual EPS growth of between 5% (threshold) and 15% (maximum)<br><br>TSR percentile ranking above median (threshold) to 75th percentile and above (maximum) | During financial year 2014, the 2010 LTEIP grant was tested.<br><br>The performance condition of EPS growth relating to the 2010 plan was not met, hence there was no loan forgiveness.<br><br>Participants achieved modest capital gains on their shares. |

(1) Before individually material items

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## B.2 Executive KMP Remuneration policy and structure

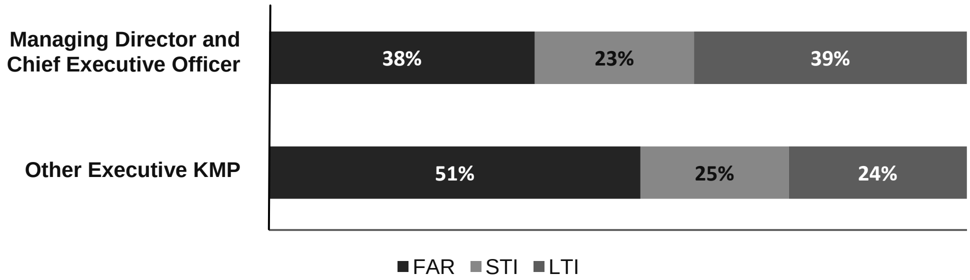
This section outlines the elements of Executive KMP remuneration in financial year 2014, how it is linked to performance and how remuneration outcomes are delivered. Changes proposed in financial year 2015 are outlined in Section D.

**Total Remuneration Mix**
The Board considers that a significant portion of Executive remuneration should be 'at-risk' to provide alignment with the interests of shareholders.

The graph below shows the target remuneration mix for financial year 2014, based on the earning opportunity for Executives, using STI at target and a fair value calculation (as per Australian Accounting Standards Board, AASB 2) of the long term incentive (LTI) award at grant using an external valuation from PricewaterhouseCoopers. The fair value approach is used as it provides consistency year-on-year in the valuation and weighting of the LTI opportunity in an Executive's Total Annual Remuneration package and will enable comparison with remuneration arrangements in financial year 2015.

The STI and LTI plans only provide material rewards to a Senior Executive if the performance measures of the relevant plans are met.

For financial year 2014, the target remuneration mix for Executive KMP is shown in the following graph. The changes to remuneration in financial year 2015 will provide a change to the pay mix for other Executive KMP with a greater weighting of reward 'at risk', as outlined in Section D.




**Fixed Annual Remuneration (FAR)**

Fixed Annual Remuneration (FAR) is generally set with reference to the market median for listed companies of a comparable market capitalisation to Orica, having regard to an individual's responsibilities, performance, qualifications, skills and experience.

Consideration is given to business and individual performance as well as the need to retain key talent. Where appropriate, additional sector or industry-specific data is taken into consideration in benchmarking fixed remuneration.

**Short-Term Incentives (STI)**

All Executive KMP have the opportunity to receive an STI award paid in cash, based on meeting annual performance targets linked to both Group and Personal objectives.

The table below outlines key attributes of Orica's STI Plan.

| Short-Term Incentive Plan - Structure and purpose of the plan | |
|---|---|
| What is the STI Plan? | An at-risk annual cash incentive plan linked to specific annual Group and Personal performance objectives, which is based on a percentage range of each participant's Fixed Annual Remuneration. |
| What is the value of the STI opportunity? | The STI opportunity is intended to pay at the top quartile on achievement of maximum targets.<br>It is expressed as a percentage of FAR and varies depending on role.<br>• The Target Incentive for the CEO is 60% of FAR, with the Maximum being 120% of FAR.<br>• The Target Incentive for Executive KMP (1) is 40% of FAR; Maximum is 80% of FAR.<br>(1) The Executive Global Head, Chemicals Strategy & Planning's Target Incentive is 80% of FAR with a Maximum of 160% for historical reasons. |
| What are the STI performance objectives and why were they chosen? | Each Executive KMP has a set of Group and Personal performance objectives.<br>Group objectives common to all Executive KMP are selected to reflect Orica's focus on people and operational safety and on financial performance arising from execution of business strategy and delivery against measures that impact long-term sustainability. |

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For financial year 2014, the Group objectives were as follows:

| Group objectives | Component | Weighting |
|---|---|---|
| **Safety, Health and Environment** | Overdue actions arising from major risk assessments, audits and ICAMs below target percentage [(1)] | 8.33% |
| | Improvement in All Worker Recordable Case Rate (AWRCR) | 8.33% |
| | Improvement in Process Safety | 8.33% |
| **Earnings measures** | Improvement on previous year's Earnings Before Interest and Taxation (EBIT) [(2)] | 12.50% |
| | Improvement in Net Profit After Tax (NPAT) [(3)] | 12.50% |
| **Margin measures** | Improvement in Gross Margin | 12.50% |
| | Improvement in Cash Conversion | 12.50% |
| **Board discretion** | Amount which may be payable, determined at the Board's discretion | 25.00% |

(1) Incident Cause Analysis Method (ICAM) is Orica's global incident investigation method.
(2) For STI purposes EBIT is defined as earnings before interest, tax and individually material items.
(3) NPAT is defined as Net Profit After Tax before individually material items attributable to shareholders of Orica Limited.

In addition, each Executive is set three equally-weighted Personal objectives specific to their area of influence. A fourth discretionary component may be payable, determined at the Board's discretion.

Objectives are approved by the Board at the start of each financial year and are set out in a formal Performance Agreement. Target performance for each Group objective typically represents improvement relative to the previous year.

| | |
|---|---|
| How does performance against STI objectives determine STI outcome? | Under the Plan, Group and Personal objectives operate independently and the weighted result for each is then multiplied together to determine the final STI amount.<br>Each objective has a minimum threshold, below which no incentive is paid for that measure, and a maximum limit that caps the performance objective (with a straight line scale applied between threshold and maximum). In total, the Plan design allows for up to 120% of FAR to be earned by the CEO and 80% of FAR for other Executive KMP [(1)] where maximum performance is achieved for all measures.<br>Performance is measured over the financial year preceding the payment date.<br>(1) The Executive Global Head, Chemicals Strategy & Planning can earn a maximum of 160% of FAR for historical reasons. |
| Who sets the targets and assesses performance? | The Board approves the metrics and targets for the Managing Director and other Executive KMP at the beginning of each year and assesses performance against those targets at the end of the financial year.<br>The Board retains an overriding discretion in relation to payments (if any) under the STI Plan (regardless of whether any of the STI performance objectives have been satisfied). |
| What happens in the event of cessation of employment? | A participant will not be eligible for a payment if terminated due to misconduct or poor performance nor, in general, if they resign before the end of the STI performance period.<br>In limited circumstances approved by the Board (such as bona fide redundancy) and where a participant has more than 6 months service in the financial year, the participant may be awarded a pro-rata STI payment. Any STI payment made will be payable following the end of the relevant financial year in line with all other STI participants. |
| How would a change of control impact on STI entitlements? | Where there is a change of control, the Board has the discretion to pay some or all of the STI available for that financial year. |

**Long-Term Incentives (LTEIP)**

The Orica Long-Term Equity Incentive Plan (LTEIP) has been the long-term incentive component of the remuneration arrangements for Executive KMP since 2004. While a performance rights plan will be implemented from financial year 2015, awards already granted under the LTEIP plan will run through to scheduled testing. Executive KMP participated in LTEIP in financial year 2014.

The LTEIP is an equity plan where shares are acquired up front through the provision of a non-recourse loan from the Company, provided for the sole purpose of acquiring shares in Orica. It operates much like a traditional option plan, as the outstanding loan balance is effectively the 'exercise price' that must be paid before any value can be realised.

Maximum rewards under LTEIP arise where there is strong share price performance, strong earnings per share growth and strong relative total shareholder return performance.

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The table below outlines key attributes of the Orica LTEIP Plan under which awards were granted in financial year 2014.

<table>
<tr><th colspan="2">Long-Term Incentive Plan - Structure and purpose of the plan</th></tr>
<tr><td>How is the amount of the loan determined?</td><td>The target loan amount takes into account a range of factors, including the key performance measures and dividends payable over the performance period, a notional interest charge on the loan and the fringe benefits tax cost of partial loan forgiveness. The target loan amount, together with the performance measures, is intended to deliver an opportunity in fair value terms of approximately 100% of FAR for the Managing Director and 48% of FAR for other Executive KMP.</td></tr>
<tr><td>How does the LTEIP plan deliver benefits to participants?</td><td>LTEIP delivers benefits to Executives by (a) partial loan forgiveness dependent on meeting the performance hurdles of Relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) growth [1] and (b) capital appreciation in the shares held under the plan. The primary benefit under LTEIP is achieved through loan forgiveness and there is no loan forgiveness if EPS and/or TSR targets are not met.<br><br>Partial loan forgiveness - a benefit is provided in the form of forgiving part of the outstanding loan balance in return for performance against performance hurdles. While the performance hurdles have changed from time to time to reflect appropriate business priorities, from 2012, the two measures have been Relative TSR and EPS growth. Loan forgiveness for the 2010 grant tested in financial year 2014 was based on EPS growth only.<br><br>Capital appreciation - a benefit is provided through share price increases above the grant price (if achieved), directly reflecting shareholder value created.<br><br>Dividends - any dividends paid on the shares during the vesting period are applied (on an after-tax basis) towards repaying the loan.<br><br>[1] The 2010 award, which vested in November 2013, one performance hurdle applied, namely EPS growth</td></tr>
<tr><td>What are the targets applicable to the financial year 2014 LTEIP grants?</td><td>The maximum total loan forgiveness is 35% [1]. Up to 15% of the loan may be forgiven for satisfaction of the EPS performance condition and up to 20% for satisfaction of the relative TSR performance condition.<br><br>The targets applicable for the financial year 2014 LTEIP grants are:<br><br>
<table>
<tr><th>Compound EPS growth per annum</th><th>Percentage of the loan that is forgiven if the EPS hurdle is met [1]</th></tr>
<tr><td>Less than 5%</td><td>0%</td></tr>
<tr><td>5%</td><td>5%</td></tr>
<tr><td>10% (Target Loan Forgiveness)</td><td>10%</td></tr>
<tr><td>15% and above (Maximum Loan forgiveness)</td><td>15%</td></tr>
</table><br>
<table>
<tr><th>Orica TSR percentile ranking against ASX 100</th><th>Percentage of loan that is forgiven if the TSR hurdle is met [1]</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile (Target Loan Forgiveness)</td><td>10%[2]</td></tr>
<tr><td>75th percentile and above (Maximum Loan Forgiveness)</td><td>20%</td></tr>
</table><br>
[1] For an Executive located in Australia. Participants based outside Australia must pay withholding tax to participate in LTEIP. To compensate for this, target loan forgiveness starts at approximately 37% of the loan increasing to a maximum loan forgiveness of 65%.<br>
[2] Straight line loan forgiveness applies for performance between 50th and 75th percentile ranking.</td></tr>
<tr><td>What is the term of the loan?</td><td>The loan period runs from the grant date until shortly after the performance condition of LTEIP is tested, a period of approximately three years.</td></tr>
<tr><td>Is the loan interest free?</td><td>An interest component is taken into account in determining the level of performance-based loan forgiveness that may be awarded to executives. There is no interest charge to the Executive on the loan itself.</td></tr>
<tr><td>How are shares acquired for allocation to Executives under LTEIP?</td><td>The Company has the flexibility under LTEIP rules to acquire shares on-market, issue new shares, or reallocate forfeited shares to participants in the Plan.<br><br>Orica sought and received shareholder approval for the LTEIP grant made to the Managing Director in February 2014.</td></tr>
<tr><td>Are Executives entitled to deal with shares during the loan period?</td><td>No. The shares are held as security for the loan.</td></tr>
<tr><td>How is the balance of the loan reduced over time?</td><td>During the loan period, part of the dividends paid on the shares are applied in part repayment of the loan. Of dividends received, a portion is paid to the Executive KMP (after withholding tax, where applicable) to fund their tax liability on these dividends received.<br><br>The remainder is applied towards reducing the balance of their loan. Any performance-based partial loan forgiveness will reduce the balance at the end of the period. Executives are not entitled to make additional voluntary repayments during the loan. The outstanding loan balance must be repaid at the end of the loan period.</td></tr>
</table>

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| | |
|---|---|
| If the loan is non-recourse, do Executives have to repay the loan? | Yes, Executives must repay their loan at the end of the performance period.<br>Executives can either repay their loan out of their own funds or sell some or all of their shares and apply the proceeds of sale to repay the loan. Shares remain restricted until the loan is repaid.<br>If the value of the shares is less than the outstanding loan balance at the end of the performance period, the Executive surrenders and forfeits the shares to Orica in full settlement of the loan balance and no benefit accrues to the Executive. This is why the loan is regarded as 'non-recourse'. |
| Does the Company buy back or cancel shares surrendered under the non-recourse feature of LTEIP? | No. Surrendered shares are held in the Orica Share Plan Trust and reallocated under future LTEIP grants. |
| Partial loan forgiveness may be granted subject to EPS performance. What is EPS and how is it calculated? | EPS stands for Earnings per Share and is calculated by dividing Orica's net profit after tax by the undiluted weighted average number of ordinary shares on issue during the relevant performance period.<br>Calculations under LTEIP will normally use reported basic EPS before any adjustment for individually material items. However, the Board has retained discretion to adjust EPS, either positively or negatively, in exceptional circumstances for individually material items (disclosed in note 6 of Orica's financial statements).<br>EPS growth will be rounded to 1 decimal place and straight line loan forgiveness will be granted between 5% and 15% Compound Annual Growth Rate (CAGR). For example, EPS growth of 12.1% will result in 12.1% loan forgiveness. No loan forgiveness on the EPS component will be granted should CAGR in EPS not equal or exceed 5% compound over the 3 year performance period. |
| Partial loan forgiveness may be granted subject to relative TSR performance. What is relative TSR and how is it calculated? | TSR stands for Total Shareholder Return and is calculated by measuring a combination of share price appreciation and dividends re-invested to show the total return to shareholders over the three year performance period. Orica's TSR is then ranked on a relative basis with the TSR performance of the constituent companies of the ASX 100 (with no exclusions).<br>No loan forgiveness for the TSR component will be granted should Orica's TSR ranking be below the $50^{th}$ percentile over the performance period. Maximum loan forgiveness for the TSR component will be achieved where Orica's TSR ranking is at or above the $75^{th}$ percentile. Straight line loan forgiveness will be granted for performance between $50^{th}$ and $75^{th}$ percentile ranking (rounded to one decimal place). For example, Orica's TSR performance at the $59^{th}$ percentile will result in 13.6% loan forgiveness. |
| Why did the Board select these measures as the performance conditions? | Growth in EPS was selected as it maintains a strong correlation with long term shareholder return, whilst reducing the plan's susceptibility to short term share price volatility as share price may be influenced by market factors that are not always representative of the Company's performance.<br>When selecting this target, the Board had reference to both the general performance of the market (where an EPS growth of 10% per annum generally reflects high end performance within the ASX 100) and Orica's historical EPS growth.<br>Relative TSR was introduced to align Executive reward under LTEIP with returns delivered to shareholders. The ASX 100 was selected as the relative TSR comparator group because, in the absence of a sufficient number of direct competitor companies, the ASX 100 represents a meaningful group of companies that Orica competes with for shareholder capital and Executive talent. |
| How is the EPS performance condition tested? | Earnings per share growth is measured from the reported EPS for the financial year immediately preceding the grant, against the EPS for the three financial years after the grant date. |
| How is the relative TSR performance condition tested? | Relative TSR is measured from the date of the LTEIP grant until the end of the performance period. Orica receives an independent report from Ernst & Young that sets out Orica's TSR growth and that of each company in the TSR comparator group (companies of the ASX 100 with no exclusions). |
| Can recipients benefit even when performance has fallen below target? | The primary benefit from LTEIP is achieved through loan forgiveness which is dependent on meeting the EPS and/or Relative TSR hurdles. If these are not achieved, there is no loan forgiveness and the Executive has to repay the full loan amount, less any after-tax dividend payments applied against the loan. There may however still be a benefit received from share price appreciation but this is by definition likely to be small if the EPS and/or relative TSR targets have not been achieved. |
| Is the performance condition re-tested? | No, the performance condition is only tested once at the end of the performance period. |
| What happens if a LTEIP participant ceases employment prior to repayment of the loan? | If an Executive resigns from the Group or is terminated for cause during the loan period, in general the shares are forfeited and surrendered to the Group (in full settlement of the loan) and the individual has no further interest in the shares. However, the Board retains a discretion to determine otherwise in appropriate circumstances which may include allowing an Executive to repay the loan and retain the capital appreciation or, where performance warrants, grant partial loan forgiveness on a pro rata basis. The Board may also determine to leave the loan in place for the remainder of the performance period and test the loan forgiveness provisions at the end of the performance period in appropriate circumstances. |
| How would a change of control impact on LTEIP entitlements? | The LTEIP rules provide that the loan becomes immediately repayable upon a change of control event, with the outstanding loan balance reduced by the target forgiveness amount, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control. |

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**Service Agreements**

Remuneration and other terms of employment for Executive KMP are formalised in service agreements.

All Executive KMP have contracts of no fixed term except for the Managing Director and Chief Executive Officer whose agreement is for a defined period which ends on 27 February 2017 (with an option to extend the contract by mutual agreement for a further term).

Should the Company wish to terminate any of the other Executive KMP for convenience, the Company must provide the Executive a payment equal to one times their average fixed annual remuneration over the preceding three years. Should the Company wish to terminate the Managing Director and Chief Executive Officer, it must provide him with six months' notice together with a severance payment equal to six months' fixed annual remuneration. All Executive KMP must provide the Company with six months' notice if they wish to resign.

Each of the Executive KMP 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.

All KMP are required to comply with Orica's 'Guidelines in dealing with Securities' at all times and in respect of all Orica shares held, including, for Executive KMP, shares held under LTEIP or any other employee share plan. In addition, Executive KMP are prohibited from using any Orica shares as collateral in any margin loan or derivative arrangement.

## B.3 Non-Executive Director Remuneration policy and structure

The key principles relating to Non-Executive Directors' remuneration are set out below:

- To preserve independence and impartiality, Non-Executive Directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. However, to create alignment between Directors and shareholders, the Board has adopted guidelines that encourage Non-Executive Directors 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 in a manner of the Director's choosing (subject to Orica's Guidelines for dealing in securities); using personal funds and includes shares held in superannuation accounts or other entities controlled by the Non-Executive Director.
- The current aggregate fee pool for Non-Executive Directors of $2,500,000 was approved by shareholders at the Company's 2010 Annual General Meeting. These fees exclude superannuation benefits and other payments in accordance with rule 48.1 of Orica's constitution. Notwithstanding rule 48.1 of the Constitution, the Company does, in practice, pay both superannuation and committee fees to the Non-Executive Directors out of the maximum aggregate fee pool.
- Non-Executive Directors can elect how they wish to receive their total fees i.e. as a contribution of cash, superannuation contributions or charitable donations. Board and Committee fees are set by reference to a number of relevant considerations including responsibilities and time commitment attaching to the role of Director; the Company's existing remuneration policies; 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.
- Generally, no additional benefits are paid to the Non-Executive Directors upon their retirement from office. The former Chairman, P J B Duncan, however, had a grandfathered retirement entitlement of $154,800 (preserved as at July 2004 with no indexation) which was paid on his retirement. There are no other grandfathered arrangements.

The table below sets out the elements of Non-Executive Director fees and other benefits.

| **Board Fees** | | **Chair of Board** [1] | **Non-Executive Director** | **Included in the shareholder approved cap?** |
|---|---|---|---|---|
| Board | | $510,000 | $170,000 | Yes |
| **Committee fees** | | **Chair of Committee** | **Committee member** | **Included in the shareholder approved cap?** |
| Audit and Risk Committee | | $45,000 | $22,500 | Yes |
| Human Resources and Compensation Committee | | $45,000 | $22,500 | Yes |
| Safety, Health and Environment Committee | | $45,000 | $22,500 | Yes |
| **Other Benefits** | | | | **Included in the shareholder approved cap?** |
| **Superannuation** | Superannuation contributions are made on behalf of the Non-Executive Directors at a rate of 9.5% being the current superannuation guarantee contribution rate (9.25% up to 30 June 2014). Directors do not receive the 9.5% superannuation contribution on the total amount of their fees, as the Company only makes contributions up to the amount required to avoid imposition of the superannuation guarantee charge. | | | Yes |
| **Other fees/benefits** | Non-Executive Directors receive a travel allowance based on the hours travelled to a Board meeting. If travel to attend a meeting takes between 3 hours and 12 hours, the allowance paid is $2,500 per meeting. If travel time exceeds 12 hours, the allowance paid is $5,000 per meeting. Non-Executive Directors are also permitted to be paid additional fees for extra services or special exertions. | | | No |

(1) Committee fees are not paid to the Chairman of the Board.

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## Section C. Financial year 2014 Executive Remuneration Outcomes

### C.1 Key remuneration drivers in financial year 2014

In financial year 2014, the Board continued to set challenging financial and non-financial performance targets. Aligned to business performance and shareholder outcomes, financial year 2014 Executive remuneration outcomes reflected little or no movement on fixed pay and STI outcomes that were around half of maximum. The 2010 LTEIP Plan which was tested in financial year 2014 delivered no loan forgiveness and modest capital appreciation. Further detail on outcomes is provided below.

### C.2 Business Performance in financial year 2014

In financial year 2014, Orica demonstrated resilient earnings and strong cashflow performance against a backdrop of difficult mining markets, falling commodity prices and significant pricing pressure.

**Over the past five years:**

- cumulative growth in total shareholder return (movement in the Company's share price plus dividends received) was 25.41 percent.
- an average of 93.4 cents per ordinary share per annum has been paid to shareholders in dividends.
- compound earnings per share (EPS) growth was approximately 2.43 percent.

The table below summarises key indicators of the performance of the Group and relevant shareholder returns over the past five financial years.

| Financial year ended 30 September | 2010 | 2011 | 2012 | Restated 2013 | 2014 |
|---|---|---|---|---|---|
| EBIT ($m) [1] | 1,009.0 | 1,028.3 | 1,022.6 | 968.1 | 929.7 |
| Dividends per ordinary share (cents) [3] | 95.0 | 90.0 | 92.0 | 94.0 | 96.0 |
| Closing share price ($ as at 30 September) [2] | 25.71 | 23.48 | 24.87 | 20.06 | 18.90 |
| EPS growth (%) [1] | 6.30% | (6.52%) | 2.54% | (8.43%) | 0.49% |
| NPAT ($m) [1] [3] | 675.8 | 642.3 | 650.2 | 592.5 | 602.5 |
| External Sales ($m) | 5,812.1 | 6,182.3 | 6,674.1 | 6,885.2 | 6,796.3 |
| Cumulative TSR (%) | 30.20 | 32.83 | 39.21 | 14.39 | 25.41 |

(1) Before individually material items.
(2) The opening share price for financial year 2010 was $23.50.
(3) Including Dulux Group which was demerged from Orica on 9 July 2010.

### C.3 Fixed Annual Remuneration Outcomes

Salaries for most Executive KMP other than the Managing Director and CEO were increased by 3.5% based on a market review in November 2013 to the levels set out below. This was in line with the average remuneration review outcome for Orica's Australian employees and followed no increases in FY2013. Ian Smith did not receive an increase in his fixed remuneration in either FY2013 or FY2014.

| Name | FAR [1] |
|---|---|
| **Current Executive Directors** | |
| I K Smith | 2,500,000 |
| C B Elkington [2] | 950,000 |
| **Current Executive KMP** | |
| N R Bowen [3] | 950,000 |
| T J Edmondstone [4] | 746,940 |
| R Hoggard | 838,350 |
| A J P Larke | 919,290 |

(1) Fixed Annual Remuneration (FAR) includes Base pay, and superannuation. FAR is reviewed annually by the Board following the end of each financial year and adjustments are, in general, effective from 1 January of the following year. Accordingly, the amounts set out in the table above are the Executives' fixed annual remuneration as at 30 September 2014.

(2) Craig Elkington was appointed Chief Financial Officer on 1 November 2013 and his salary was increased to $950,000 to reflect his change in position. C Elkington was appointed Executive Director Finance on 12 September 2014 and his remuneration did not change.

(3) Nick Bowen was appointed on 11 November 2013. N Bowen did not participate in the 2014 Annual Remuneration Review.

(4) Salary based on Singapore dollar amount translated at average foreign exchange rate for the year.

# DIRECTORS' REPORT – REMUNERATION REPORT

## C.4 Short-Term Incentive Outcomes

**Awards to Executive KMP under the STI Plan**

STI performance targets were set for financial year 2014, generally as an improvement to financial year FY2013 outcomes.

- Safety targets were set to reflect Orica's commitment to continuously improving safety performance. All Worker Recordable Case Rate and Process Safety targets were set to reflect an improvement on financial year 2013 outcomes. In financial year 2014, a third leading safety measure, 'Overdue Actions', was introduced to drive timely closure of actions arising from major risk assessments, audits and incident investigations. Pleasing progress was made over the year with over 20 percent improvement versus financial year 2013 outcomes on all three metrics reflecting focus on risk management and on taking timely action to address safety matters.
- NPAT and EBIT targets were set to represent an improvement on financial year 2013 performance. While earnings were resilient in a difficult market, performance was in line with financial year 2013 outcomes and therefore was at the lower end of the range set for incentive purposes.
- Gross Margin and Cash Conversion targets were set in line with financial year 2013 outcomes, which exceeded financial year 2013 targets significantly. Gross margin performance was in line with financial year 2013 outcomes and strong cash conversion, up 9 percent on the previous corresponding period, was achieved.
- Taking into account shareholder outcomes, the Board determined that the discretionary element of business performance would not be awarded.
- Individual measures for Executives were determined at the commencement of the financial year. The Board approved the measures for Executive KMP. These measures comprised each individual's contribution to delivery against projects and initiatives within the scope of their role. Personal performance of Executive KMP was reviewed against these measures by the Board. On average, the outcome on the personal performance component was between target and maximum for Executive KMP.

Performance against the STI objectives for the FY2014 performance year is illustrated in the table below.

| | | Performance for financial year 2014 | | |
|---|---|---|---|---|
| **Group Business Performance Objective** | | **Threshold** | **Target** | **Maximum** |
| **Safety** | Percentage of overdue actions vs target [(1)] | | | |
| | All Worker Recordable Case Rate (AWRCR) | | | |
| | Process Safety [(2)] | | | |
| **Earnings** | EBIT | | | |
| | NPAT | | | |
| **Margin** | Gross Margin [(3)] | | | |
| | Cash Conversion [(4)] | | | |
| **Discretion** | | | Not awarded | |
| **Individual Performance Objective** | | | | |
| Individual measures based on initiatives and key project deliverables linked to sustainable improvement in company performance, including discretion | | | | |

(1) Overdue actions = % of actions arising from major risk assessments, audits and ICAMS. Incident Cause Analysis Method (ICAM) is Orica's global incident investigation method.
(2) Process Safety measure defined as Process Excursions = On and Off Site loss of Containment (Category 2, 3 and 4 incidents).
(3) Cash Conversion = (EBITDA – (Sustaining Capital) +/- (Movement in Trade Working Capital))/EBITDA x 100.
(4) Gross Margin % = (Sales – Total Variable Cost of Sales (includes manufacturing employee costs and depreciation)) / Sales x 100.

**Financial year 2014 STI Outcomes**

Considering performance on all objectives, the STI payment was at 51.8% of maximum STI for the Managing Director and an average of 48.3% of maximum STI for other Executive KMP. Across all Executive KMP, approximately half of the maximum available opportunity was foregone.

Details of the 2014 STI percentages for Executive KMP are set out in the table below:

| For the year ended 30 September 2014 | Maximum STI opportunity $000 | Actual STI Payment $000 | Actual STI payment as % of maximum STI | % of maximum STI payment forfeited/forgone |
|---|---|---|---|---|
| **Current Executive KMP [(1)]** | | | | |
| I K Smith | 3,000.0 | 1,554.0 | 51.8 | 48.2 |
| C B Elkington | 760.0 | 372.6 | 49.0 | 51.0 |
| N R Bowen | 760.0 | 365.6 | 48.1 | 51.9 |
| T J Edmondstone | 597.6 | 281.9 | 47.2 | 52.8 |
| R Hoggard | 670.7 | 316.4 | 47.2 | 52.8 |
| A J P Larke | 1,470.9 | 734.4 | 50.0 | 50.0 |

(1) Former Executive KMP A M Andrew and N A Meehan were not eligible to receive a pro-rata STI payment in financial year 2014 as they did not complete 6 months in role in the financial year.

# DIRECTORS' REPORT – REMUNERATION REPORT

## C.5 Long-Term Incentive Outcomes

**Historic awards to Executive KMP under the Long Term Equity Incentive Plan (LTEIP)**

Over the past five years, the Long Term Equity Incentive Plan (LTEIP) has provided a loan forgiveness benefit in only one instance and has provided modest capital appreciation benefit to Plan participants in four of the past five years. The 2008 plan, which vested in 2011, vested with a performance outcome around target which provided both loan forgiveness and a capital appreciation benefit.

Details of the five year historical analysis of benefits under the LTEIP are tabled below.

| | | | | LTEIP Performance Outcomes | | | |
|---|---|---|---|---|---|---|---|
| **Plan** | **Hurdles (Target)** | **Allocation price** | **Perfor-mance period** | Status | Was a capital benefit derived (i.e. did the participating Executives keep their shares?) | Was loan forgiveness / waiver granted? | Was the maximum loan forgiveness granted? |
| **2006 Offer** | TSR growth: average 15% pa or greater (compound) | $23.77 | 3 years | Complete | Yes | No | No |
| **2007 Offer** | TSR growth: average 15% pa or greater (compound) | $31.76 | 3 years | Complete | No | No | No |
| **2008 Offer** | TSR growth: average 10% pa or greater (compound) | $16.13 | 3 years | Complete | Yes | Yes | No |
| **2009 Offer** | TSR growth: average 10% pa or greater (compound) | $24.79 | 3 years | Complete | Yes | No | No |
| **2010 Offer** | EPS growth: average 10% pa or greater (compound) | $25.23 | 3 years | Complete | Yes | No | No |

**Awards vesting in 2014 under the Long Term Equity Incentive Plan (LTEIP)**

The 2010 Long-Term Equity Incentive Plan (LTEIP) award was tested in November 2013. The 2010 LTEIP award had one performance hurdle, namely Earnings per Share (EPS) growth. As the compound EPS growth over the plan period was below the threshold performance level, no loan forgiveness was applied. Executives achieved modest capital gains on their shares.

# DIRECTORS' REPORT – REMUNERATION REPORT

**New awards offered to Executive KMP in February 2014**

Under the LTEIP, eligible Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. The 2014 offer, which was granted as part of the Executive KMP total remuneration for financial year 2014, was allocated in February 2014 following approval of the Managing Director and CEO's award by shareholders at the Annual General Meeting.

The following table shows the current balances of the non-recourse loans from Group, for the Executive KMP, following the February 2014 grant.

| For the year ended 30 September 2014 | Opening balance $ | Advances during FY14 [(1)] $ | Other repayments during FY14 [(2)] $ | Cash repayments during FY14 [(3)] $ | Closing balance $ | Interest free value $ | Highest indebtedness $ |
|---|---|---|---|---|---|---|---|
| **Current Executive Directors** | | | | | | | |
| I K Smith | 15,452,094 | 7,687,493 | - | 358,062 | 22,781,525 | 1,043,559 | 22,970,095 |
| C B Elkington | 3,120,519 | 1,363,238 | - | 876,036 | 3,607,721 | 183,642 | 4,448,373 |
| **Current Executive KMP** | | | | | | | |
| N R Bowen | - | 1,363,238 | - | 11,581 | 1,351,657 | 36,893 | 1,363,238 |
| T J Edmondstone | 1,502,332 | 918,396 | - | 615,905 | 1,804,823 | 90,266 | 2,403,862 |
| R Hoggard | 1,399,817 | 1,162,327 | - | 277,941 | 2,284,203 | 100,553 | 2,546,695 |
| A J P Larke | 3,593,581 | 1,274,556 | - | 1,194,559 | 3,673,578 | 198,352 | 3,704,440 |
| **Former Executive Directors** | | | | | | | |
| N A Meehan [(4)] | 4,746,002 | - | - | 1,503,517 | 3,242,485 | 218,040 | 4,746,002 |
| **Former Executive KMP** | | | | | | | |
| A M Andrew [(4)] | 1,020,447 | - | - | 1,020,447 | - | 6,505 | 1,020,447 |
| **Total Executive Key Management Personnel** | **30,834,792** | **13,769,248** | **-** | **5,858,048** | **38,745,992** | **1,877,810** | **43,203,152** |

(1) Under LTEIP, eligible Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and Executives may not deal with the shares while the loan remains outstanding. Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

(2) Constitutes loan forgiveness amounts under LTEIP. No loan forgiveness was granted during the year.

(3) Constitutes repayments including after tax dividends paid on the shares applied against the loan, repayment of loan on vesting of LTEIP and forfeiture of LTEIP options.

(4) N A Meehan, under a Deed of Release dated September 2013, ceased employment on 31 October 2013 and A M Andrew ceased employment on 1 November 2013. As a participant in LTEIP, the Board determined in November 2013 that, notwithstanding his cessation of employment, N A Meehan would continue to participate in the LTEIP offers that remain 'on foot' and his participation would be treated in accordance with the relevant LTEIP rules in the same manner as all other participating Executives with the relevant share based payments expense under accounting standards being included 50% in his 2013 remuneration with the balance to be included in 2014. The Board determined that A M Andrew's December 2010 LTEIP grant would tested as normal in November 2013. These options subsequently lapsed as the value of shares was less than the loan balance. Other LTEIP options held by A M Andrew lapsed on her cessation of employment.

# DIRECTORS' REPORT – REMUNERATION REPORT

## Section D. Remuneration Changes for financial year 2015

As indicated last year, the Human Resources and Compensation Committee undertook a detailed review of the Executive Remuneration Framework during 2014, which included meetings with a range of stakeholders, research into prevailing market practice and trends, and consideration of current governance requirements.

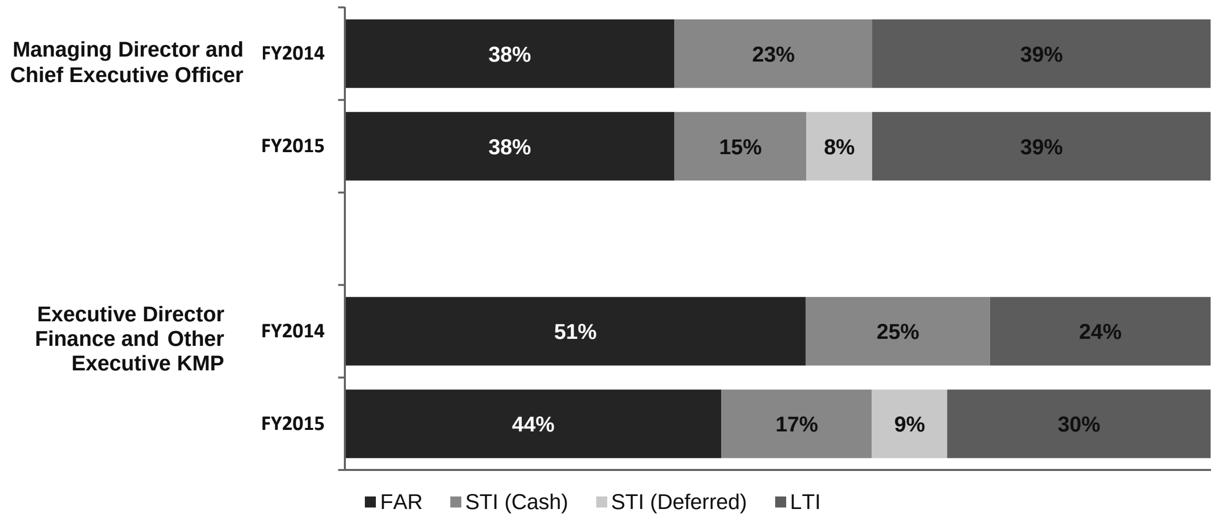
The Committee also took account of the fact that the organisation is currently undergoing significant transformation and has a renewed focus on disciplined capital management.

The objectives of the Orica Framework were endorsed i.e. to ensure that remuneration is aligned to shareholder interests, linked to strategy and globally competitive in attracting, retaining and providing incentives to management.

In this context, the Board has determined to make a number of changes to remuneration arrangements for senior Executives. Key features of Executive Remuneration in 2015 will be:

- The Total Remuneration opportunity for the Managing Director and Chief Executive Officer, comprising fixed remuneration, short and long-term incentives, will remain at financial year 2014 levels. In addition, a greater proportion of his remuneration will be delivered in shares and performance rights, strengthening alignment to shareholders.
- Fixed pay for other Executive KMP will remain at financial year 2014 levels. However, their performance-based pay opportunity will be increased to provide improved competitiveness to market. The effect is to re-balance remuneration mix to reflect greater pay 'at-risk'.
- One-third of any future STI award for all Executive KMP will be deferred for 1 year into Orica shares.
- No further grants will be made under LTEIP, the loan-based LTI plan. As from 2015, all Senior Leaders will participate in a performance rights plan. Under the rights plan, rights will vest based on Relative Total Shareholder Return and Return on Capital performance. Targets have been set for the 2015 grant to ensure full vesting occurs only in the event of sustained superior performance.
- The new long-term incentive plan has been set to deliver an equivalent earnings opportunity as LTEIP in fair value terms for the Managing Director and Chief Executive Officer and the Executive Director Finance, and to deliver an increased earnings opportunity for other Executive KMP, aligned to market levels. Shareholder approval will be sought at the next Annual General Meeting for the grant of performance rights under the new LTI plan to the Managing Director and Chief Executive Officer and the Executive Director Finance. The number of rights will be set, in conjunction with performance targets, to deliver the earnings opportunity in the event of sustained superior performance.
- A malus policy will be introduced to formalise the Board's discretion to deny payment of unvested entitlements to Executives, should circumstances require.
- Executives will be required to hold a minimum percentage of their fixed remuneration in Orica shares. These must be acquired over a reasonable time.

With these changes the pay mix for financial year 2015 will change as illustrated in the following graph.




Further detail on these changes will be provided in the financial year 2015 Remuneration Report.

# DIRECTORS' REPORT – REMUNERATION REPORT

## Section E. Executive KMP – Remuneration Tables and Data

### E.1 Nature and Amount of each Element of Remuneration of Executive KMP

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

| | Short term employee benefits | | | Post employment benefits | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Base (Fixed) Pay $000 | STI Payment (1) $000 | Other Benefits (2) $000 | Super-annuation Benefits $000 | Termination Benefits $000 | Other Long Term Benefits (3) $000 | **Total excluding SBP* Expense $000** | Share Based Payments Expense (4) $000 | **Total $000** |
| **Current Executive Directors** | | | | | | | | | |
| **I K Smith** | | | | | | | | | |
| **2014** | **2,481.9** | **1,554.0** | **(26.0)** | **18.0** | **-** | **-** | **4,027.9** | **2,159.4** | **6,187.3** |
| 2013 | 2,483.2 | 1,023.8 | 27.9 | 16.8 | - | - | 3,551.7 | 1,618.3 | 5,170.0 |
| **C B Elkington** | | | | | | | | | |
| **2014** | **926.1** | **372.6** | **25.0** | **18.0** | **-** | **39.1** | **1,380.8** | **347.5** | **1,728.3** |
| 2013 | 863.2 | 160.2 | 88.8 | 16.8 | - | 46.2 | 1,175.2 | 493.1 | 1,668.3 |
| **Total Current Executive Directors** | | | | | | | | | |
| **2014** | **3,408.0** | **1,926.6** | **(1.0)** | **36.0** | **-** | **39.1** | **5,408.7** | **2,506.9** | **7,915.6** |
| 2013 | 3,346.4 | 1,184.0 | 116.7 | 33.6 | - | 46.2 | 4,726.9 | 2,111.4 | 6,838.3 |
| **Former Executive Director** | | | | | | | | | |
| **N A Meehan (5)** | | | | | | | | | |
| **2014** | **101.2** | **-** | **9.2** | **2.9** | **593.3** | **0.2** | **706.8** | **313.6** | **1,020.4** |
| 2013 | 1,233.2 | 328.1 | 52.4 | 16.8 | 593.3 | 20.8 | 2,244.6 | 1,136.9 | 3,381.5 |
| **Total Executive Directors** | | | | | | | | | |
| **2014** | **3,509.2** | **1,926.6** | **8.2** | **38.9** | **593.3** | **39.3** | **6,115.5** | **2,820.5** | **8,936.0** |
| 2013 | 4,579.6 | 1,512.1 | 169.1 | 50.4 | 593.3 | 67.0 | 6,971.5 | 3,248.3 | 10,219.8 |
| **Current Executive KMP** | | | | | | | | | |
| **N R Bowen** | | | | | | | | | |
| **2014** | **829.9** | **365.6** | **323.8** | **16.5** | **-** | **-** | **1,535.8** | **107.1** | **1,642.9** |
| 2013 | - | - | - | - | - | - | - | - | - |
| **T J Edmondstone (6) (7)** | | | | | | | | | |
| **2014** | **740.6** | **281.9** | **570.4** | **-** | **-** | **10.7** | **1,603.6** | **194.8** | **1,798.4** |
| 2013 | 448.4 | 134.4 | 380.2 | 4.3 | - | 6.9 | 974.2 | 265.3 | 1,239.5 |
| **R Hoggard (7)** | | | | | | | | | |
| **2014** | **813.2** | **316.4** | **18.8** | **18.0** | **-** | **23.3** | **1,189.7** | **236.1** | **1,425.8** |
| 2013 | 793.2 | 187.1 | 19.0 | 16.8 | - | 97.4 | 1,113.5 | 192.7 | 1,306.2 |
| **A J P Larke** | | | | | | | | | |
| **2014** | **893.5** | **734.4** | **49.5** | **18.0** | **-** | **21.3** | **1,716.7** | **358.6** | **2,075.3** |
| 2013 | 871.4 | 385.5 | 34.2 | 16.8 | - | 14.8 | 1,322.7 | 581.6 | 1,904.3 |
| **Total Current Executive KMP** | | | | | | | | | |
| **2014** | **3,277.2** | **1,698.3** | **962.5** | **52.5** | **-** | **55.3** | **6,045.8** | **896.6** | **6,942.4** |
| 2013 | 2,113.0 | 707.0 | 433.4 | 37.9 | - | 119.1 | 3,410.4 | 1,039.6 | 4,450.0 |
| **Former Executive KMP** | | | | | | | | | |
| **A M Andrew (5) (7)** | | | | | | | | | |
| **2014** | **62.5** | **-** | **15.6** | **-** | **-** | **-** | **78.1** | **2.9** | **81.0** |
| 2013 | 482.4 | 129.7 | 47.3 | - | - | - | 659.4 | 6.0 | 665.4 |
| **J R Beevers (6) (8)** | | | | | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 4.2 | - | 0.3 | - | 976.7 | - | 981.2 | 668.0 | 1,649.2 |
| **P McEwan (9)** | | | | | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 319.2 | 34.2 | (0.5) | 8.6 | - | - | 361.5 | 182.2 | 543.7 |
| **G J Witcombe** | | | | | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 192.3 | - | 610.9 | 8.2 | 846.8 | 3.4 | 1,661.6 | 308.7 | 1,970.3 |
| **Total Former Executive KMP** | | | | | | | | | |
| **2014** | **62.5** | **-** | **15.6** | **-** | **-** | **-** | **78.1** | **2.9** | **81.0** |
| 2013 | 998.1 | 163.9 | 658.0 | 16.8 | 1,823.5 | 3.4 | 3,663.7 | 1,164.9 | 4,828.6 |

# DIRECTORS' REPORT – REMUNERATION REPORT

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Executive KMP** | | | | | | | | | |
| **2014** | **3,339.7** | **1,698.3** | **978.1** | **52.5** | **-** | **55.3** | **6,123.9** | **899.5** | **7,023.4** |
| 2013 | 3,111.1 | 870.9 | 1,091.4 | 54.7 | 1,823.5 | 122.5 | 7,074.1 | 2,204.5 | 9,278.6 |
| **Total** | | | | | | | | | |
| **2014** | **6,848.9** | **3,624.9** | **986.3** | **91.4** | **593.3** | **94.6** | **12,239.4** | **3,720.0** | **15,959.4** |
| 2013 | 7,690.7 | 2,383.0 | 1,260.5 | 105.1 | 2,416.8 | 189.5 | 14,045.6 | 5,452.8 | 19,498.4 |

* Share Based Payments (SBP).

(1) STI Payment includes payments relating to 2014 performance accrued but not paid until financial year 2015.

(2) These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax) and for G J Witcombe include a retention bonus of $592,552 (refer to Section E.4 (b)).

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

(4) Includes the value calculated under AASB 2 Share Based Payments to Executives which vest over three years. Value only accrues to the Executive when performance conditions have been met. Each year, the Board may decide to allocate long term incentives to Executives. The Share Based Payments expense represents the expense 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 actually received by Executives during the year. The mechanism which determines whether or not long term incentives vest in the future is described in section B.2 and note 36 (a).

(5) N A Meehan, under a Deed of Release dated September 2013, ceased employment on 31 October 2013 and A M Andrew ceased employment on 1 November 2013. As a participant in LTEIP, the Board determined in November 2013 that, notwithstanding his cessation of employment, N A Meehan would continue to participate in the LTEIP offers that remain 'on foot' and his participation would be treated in accordance with the relevant LTEIP rules in the same manner as all other participating Executives with the relevant share based payments expense under accounting standards being included 50% in his 2013 remuneration with the balance included in 2014. In addition to his statutory entitlements to accrued leave, under the terms of N A Meehan's service agreement, he was entitled to a severance payment of $1,186,598 upon cessation of his employment (equivalent to 1.0 times his fixed remuneration), 50% of which, under accounting standards, was included in his 2013 remuneration with the balance included in 2014. The Board has determined that A M Andrew's December 2010 LTEIP grant was tested as normal in November 2013. These options subsequently lapsed as the value of shares was less than the loan balance. Other LTEIP options held by A M Andrew lapsed on her cessation of employment and the market value of the forfeited options, based on the Orica share price at the lapse date was $60,832.

(6) For overseas based Executives, other benefits include up to 100% of relocation and travel allowances, reimbursement of accommodation and living away from home expenses, health insurance, family travel and taxation expenses.

(7) In financial year 2013 the amounts disclosed relate to remuneration paid from the date of the Executive's designation as KMP.

(8) J R Beevers ceased employment on 1 October 2012. The Board determined that his Dec 2009 LTEIP grant would be tested as normal in November 2012 and he remained entitled to the capital appreciation on the 2009 LTEIP grant. He was also entitled to retain his Dec 2010 and Dec 2011 LTEIP grants on cessation of employment with the loans to be repaid by 31 December 2012 and these subsequently lapsed because the value of the shares was less than the outstanding loan balance at 31 December 2012. The market value of the forfeited options, based on the Orica share price at the lapse date was $2,698,811.

(9) P McEwan ceased employment on 2 April 2013. The Board determined that she was entitled to retain her Dec 2010 LTEIP grant with the loan to be settled by 3 June 2013 and these subsequently lapsed because the value of the shares was less than the outstanding loan balance at 3 June 2013. The Dec 2011 LTEIP grant was forfeited on cessation of employment. The market value of the forfeited options, based on the Orica share price at the lapse date was $1,584,829.

## E.2 Equity instruments granted to and exercised by Executive KMP

As outlined above, although shares allocated to Executive KMP under LTEIP are 'shares' for legal and taxation purposes, Accounting Standards require that they be treated as options for accounting purposes. Share rights and retention rights are also treated as options for accounting purposes. The value of options granted during the year and the value of any options granted in a previous year that were exercised during the year relating to Executive KMP is set out below. The value of the options granted, as valued by PricewaterhouseCoopers (PwC), is the fair value calculated at grant date using an adjusted form of the Black Scholes option pricing model.

| For the year ended 30 September 2014 | Options Granted Number | Options Granted (1) (2) (3) $ | % of Total Remuneration received as Options | Options Exercised (4) Number | Options Exercised (4) $ |
|---|---|---|---|---|---|
| **Current Executive Directors** | | | | | |
| I K Smith | 317,010 | 2,567,781 | 34.9 | - | - |
| C B Elkington | 56,216 | 455,350 | 20.1 | 34,036 | 16,725 |
| **Former Executive Directors** | | | | | |
| N A Meehan | - | - | 30.7 | 59,754 | 25,599 |
| **Current Executive KMP** | | | | | |
| N R Bowen | 56,216 | 455,350 | 6.5 | - | - |
| T J Edmondstone | 37,872 | 306,763 | 10.8 | 24,530 | 12,366 |
| R Hoggard | 47,931 | 388,241 | 16.6 | 10,227 | 4,511 |
| A J P Larke | 52,559 | 425,728 | 17.3 | 47,159 | 26,003 |
| **Former Executive KMP** | | | | | |
| A M Andrew | - | - | 3.6 | - | - |
| **Total Executive Key Management Personnel** | 567,804 | 4,599,213 | | 175,706 | 85,204 |

(1) Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from eligible Executives in relation to these loans have not been recognised in the financial statements.

(2) The LTEIP options have been valued by PwC at $8.10 per option. The benefit of the options granted under the December 2010 and subsequent LTEIP offers may lapse during future years if the Executives cease employment with the Group before the end of the three year performance period.

(3) The minimum potential value of grants made during the year under LTEIP is nil.

(4) The value of each LTEIP option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid (i.e. effectively the outstanding loan balance at that date for all Executives).

# DIRECTORS' REPORT – REMUNERATION REPORT

### E.3 Number of equity instruments that comprise LTEIP and share rights held by Executive KMP

| **For the year ended 30 September 2014** | Grant date | Granted during FY14 | Exercised during FY14 (1) (2) | Lapsed | Outstanding at year end | Exercise price $ | Value of options at grant date (3) $ | Value of options included in compensation for the year (3) $ |
|---|---|---|---|---|---|---|---|---|
| **Current Executive Directors** | | | | | | | | |
| I K Smith | | | | | | | | |
| | 24 Feb 12 | - | - | - | 305,302 | N/A | 2,842,362 | 632,514 |
| | 7 Feb 13 | - | - | - | 293,080 | N/A | 2,614,274 | 922,685 |
| | 21-Feb 14 | 317,010 | - | - | 317,010 | N/A | 2,567,781 | 604,184 |
| C B Elkington | | | | | | | | |
| | 17 Dec 10 (4) | - | 34,036 | - | - | N/A | 314,833 | 17,302 |
| | 19 Dec 11 | - | - | - | 42,742 | N/A | 342,363 | 71,522 |
| | 9 Jan 12 (5) | - | - | - | - | N/A | 372,557 | - |
| | 7 Feb 13 | - | - | - | 48,143 | N/A | 429,436 | 151,565 |
| | 21 Feb 14 | 56,216 | - | - | 56,216 | N/A | 455,350 | 107,141 |
| **Former Executive Directors** | | | | | | | | |
| N A Meehan | | | | | | | | |
| | 17 Dec 10 (4) | - | 59,754 | - | - | N/A | 552,725 | 15,187 |
| | 19 Dec 11 | - | - | - | 62,289 | N/A | 498,935 | 65,144 |
| | 9 Jan 12 (5) | - | - | - | - | N/A | 597,057 | - |
| | 7 Feb 13 | - | - | - | 68,385 | N/A | 609,994 | 233,233 |
| **Current Executive KMP** | | | | | | | | |
| N R Bowen | 21-Feb 14 | 56,216 | - | - | 56,216 | - | 455,350 | 107,141 |
| T J Edmondstone | | | | | | | | |
| | 17 Dec 10 (4) | - | 24,530 | - | - | N/A | 226,903 | 12,378 |
| | 19 Dec 11(6) | - | - | - | 13,387 | N/A | 293,710 | - |
| | 7 Feb 13 | - | - | - | 35,013 | N/A | 312,316 | 110,229 |
| | 21 Feb 14 | 37,872 | - | - | 37,872 | N/A | 306,763 | 72,180 |
| R Hoggard | | | | | | | | |
| | 17 Dec 10 (4) | - | 10,227 | - | - | N/A | 94,600 | 5,199 |
| | 19 Dec 11(6) | - | - | - | 8,302 | N/A | 182,146 | - |
| | 7 Feb 13 | - | - | - | 44,313 | N/A | 395,272 | 139,508 |
| | 21 Feb 14 | 47,931 | - | - | 47,931 | N/A | 388,241 | 91,351 |
| A J P Larke | | | | | | | | |
| | 17 Dec 10 (4) | - | 47,159 | - | - | N/A | 436,221 | 23,972 |
| | 19 Dec 11 | - | - | - | 48,669 | N/A | 389,839 | 81,439 |
| | 9 Jan 12 (5) | - | - | - | - | N/A | 424,233 | - |
| | 7 Feb 13 | - | - | - | 48,591 | N/A | 433,432 | 152,976 |
| | 21 Feb 14 | 52,559 | - | - | 52,559 | N/A | 425,728 | 100,171 |
| **Former Executive KMP** | | | | | | | | |
| A M Andrew | | | | | | | | |
| | 17 Dec 10 (4) | - | - | 5,710 | - | N/A | - | 2,904 |
| | 19 Dec 11(6) | - | - | 2,912 | - | N/A | - | - |
| | 7 Feb 13 | - | - | 33,919 | - | N/A | - | - |

(1) The combination of shares and the loan provided to fund those shares under LTEIP constitutes an option under AASB 2. These options vest over three years. Under the terms of LTEIP, the loan must be repaid before the Executives can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition, typically in November after the annual results announcement, and continues through to February of the following year. The options expire if the loan is not repaid within the repayment window.

(2) There were no amounts outstanding on shares issued as a result of the exercise of the options.

(3) The option valuation prepared by PwC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2014.

(4) The share based payments expense of $9.25 per option for the December 2010 scheme had been based on achieving an EPS growth of 10% per annum. When these options vested this year the 10% growth had not been achieved, therefore the expense per option was re-valued to $6.10, the fair value for EPS growth of less than 5%. This resulted in a reduction of the share based payment expense for the current year in relation to this scheme.

(5) Share rights under the Executive Retention Scheme vested in FY2013 (refer to Section E.4.(b)).

(6) Share rights issued under LTIRP (refer to note 36).

# DIRECTORS' REPORT – REMUNERATION REPORT

## E.4 Equity instruments held by Executive KMP

### (a) LTEIP

The number of option (LTEIP) issues, values and related Executive loan information in relation to Orica Executive KMP is shown in the following table (details of the Long Term Incentive Rights Plan (LTIRP) are in note 36):

| Grant date | Number of options issued | Number of options held at 30 Sep | Number of participants at 30 Sep | Total loan at grant date $ | Total loan at 30 Sep $ | Target loan waiver opportunity over full loan period $ | Loan repayments through dividends during year $ | Value of options at grant date [1] $ |
|---|---|---|---|---|---|---|---|---|
| **As at 30 September 2014** | | | | | | | | |
| 21 Feb 14 | 839,544 | **839,544** | **14** | **20,358,942** | 20,185,996 | 4,071,788 | 172,946 | 6,800,306 |
| 11 Mar 13 | 33,919 | **33,919** | **1** | **889,695** | 866,288 | 177,939 | 16,595 | 282,545 |
| 7 Feb 13 | 704,355 | **670,436** | **10** | **18,475,232** | 17,122,868 | 3,695,046 | 328,011 | 6,282,847 |
| 24 Feb 12 | 305,302 | **305,302** | **1** | **8,029,443** | 7,674,102 | 1,794,786 | 149,369 | 2,842,362 |
| 19 Dec 11 | 592,713 | **451,683** | **4** | **14,924,513** | 10,847,664 | 3,616,963 | 220,986 | 4,747,631 |
| | 2,475,833 | **2,300,884** | | **62,677,825** | 56,696,918 | 13,356,522 | 887,907 | 20,955,691 |

[1] The assumptions underlying the options valuations are:

| Grant date | Price of Orica Shares at grant date $ | Expected volatility in share price % | Dividends expected on shares [2] % | Risk free interest rate % | Fair value per option [3] $ |
|---|---|---|---|---|---|
| 21 Feb 14 | 24.30 | 25 | Nil | 3.05 | 8.10 |
| 11 Mar 13 | 25.90 | 25 | Nil | 2.97 | 8.33 |
| 7 Feb 13 | 26.73 | 25 | Nil | 2.78 | 8.92 |
| 24 Feb 12 | 26.62 | 25 | Nil | 3.71 | 9.31 |
| 19 Dec 11 | 24.68 | 25 | Nil | 2.99 | 8.01 |
| 17 Dec 10 | 25.20 | 25 | Nil | 5.19 | 9.25 |

[2] A net dividend yield of nil has been adopted as participants will fully benefit from dividend receipts as loan repayment during the life of the LTEIP instruments.

[3] Under the December 2010 and subsequent LTEIP schemes, a portion of the loan was forgiven based on Orica's compound growth in earnings per share over a pre-determined performance period. Under accounting standards, the share based payments expense (fair value per option) is adjusted to an expense based on the actual EPS growth achieved. The range of fair values per option is:

| Grant date | Less than 5% EPS growth per annum $ | EPS growth of 5% per annum $ | EPS growth of 10% per annum $ | EPS growth of 15% or higher per annum $ |
|---|---|---|---|---|
| 21 Feb 14 | 6.77 | 7.42 | 8.10 | 8.83 |
| 11 Mar 13 | 6.90 | 7.47 | 8.33 | 9.09 |
| 7 Feb 13 | 7.53 | 8.20 | 8.92 | 9.78 |
| 24 Feb 12 | 5.87 | 7.44 | 9.31 | 11.32 |
| 19 Dec 11 | 5.02 | 6.37 | 8.01 | 9.89 |
| 17 Dec 10 [4] | 6.10 | 7.50 | 9.25 | 11.10 |

[4] The share based payments expense of $9.25 per option for the December 2010 scheme had been based on achieving an EPS growth of 10% per annum. When these options vested this year the 10% growth had not been achieved, therefore the expense per option was re-valued to $6.10, the fair value for EPS growth of less than 5%. This resulted in a reduction of the share based payment expense for the current year in relation to this scheme.

On the demerger of DuluxGroup Limited on 9 July 2010, participating employees of both Orica and DuluxGroup received one DuluxGroup share for every one Orica share held previously under the Orica LTEIP scheme. At demerger date, the price of Orica shares was $25.68. The sale of these DuluxGroup shares resulted in the proceeds being applied towards repaying the loan (against which each tranche of shares were granted). For continuing Orica employees, the TSR target of each tranche was proportionately reduced to take account of DuluxGroup no longer being part of the Orica Group. No current LTEIP participants retain any DuluxGroup shares under LTEIP.

As a result of modifying the period in which the employees could exercise the options for DuluxGroup employees and the TSR targets for continuing Orica employees, an incremental share based payments expense was incurred. The incremental value per option was valued by PwC.

# DIRECTORS' REPORT – REMUNERATION REPORT

The assumptions underlying the options valuations are:

| Grant date | Number of options held at 9 July 2010 | Expected volatility in share price | Dividends expected on shares [2] | Risk free interest rate | Incremental value per option $ |
|---|---|---|---|---|---|
| **Continuing Orica Employees** | | | | | |
| 15 Dec 09 | 1,785,616 | 30% | Nil | 4.50% | 0.65 |

[2] A net dividend yield of nil has been adopted as participants will fully benefit from dividend receipts as loan repayment during the life of the LTEIP instruments.

The terms of LTEIP apply equally to Executive KMP and other eligible Executives of the Company.

The option valuations prepared by PwC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September 2014. The assumptions underlying the option valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for share based payment schemes in 2014 was $9.9 million (2013 $16.0 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

**(b) Retention Rights**

Retention Rights were granted to selected Executive KMP and former Executive KMP in financial year 2012. No Retention Rights remained outstanding as at 30 September 2014 or 30 September 2013.

Retention Rights allocations in financial year 2012 and their values in relation to Orica Executive KMP is shown in the following table:

**As at 30 September 2012**

| Grant date | Vesting date | Number of rights issued | Number of rights held | Number of participants | Value of rights at grant date [1] $ |
|---|---|---|---|---|---|
| 09 Jan 12 | 31 March 13 | 108,246 | 108,246 | 5 | 2,498,318 |

[1] 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 [2] $ |
|---|---|---|---|---|---|
| 09 Jan 12 | 24.24 | 25 | 4 | 3.48 | 23.08 |

[2] The option valuations prepared by PwC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September 2012. The assumptions underlying the option valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

# DIRECTORS' REPORT – REMUNERATION REPORT

## E.5 Relevant interests of Executive KMP in the share capital of the consolidated entity

| As at 30 September | Fully paid ordinary shares held at 1 October | Acquired [1] | Net change other [2] | Fully paid ordinary shares held at September [3] | Options for fully paid ordinary shares held at September [4] [5] |
|---|---|---|---|---|---|
| **Executive KMP** | | | | | |
| I K Smith | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **915,392** |
| 2013 | - | - | - | - | 598,382 |
| C B Elkington | | | | | |
| **2014** | **-** | **34,036** | **(34,036)** | **-** | **147,101** |
| 2013 | - | 49,773 | (49,773) | - | 124,921 |
| N R Bowen | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **56,216** |
| 2013 | - | - | - | - | - |
| T J Edmondstone | | | | | |
| **2014** | **-** | **24,530** | **(24,530)** | **-** | **86,272** |
| 2013 | - | 24,590 | (24,590) | - | 72,930 |
| R Hoggard | | | | | |
| **2014** | **1,064** | **10,227** | **(10,065)** | **1,226** | **100,546** |
| 2013 | 23 | 10,103 | (9,062) | 1,064 | 62,842 |
| A J P Larke | | | | | |
| **2014** | **-** | **47,159** | **(47,159)** | **-** | **149,819** |
| 2013 | - | 64,979 | (64,979) | - | 144,419 |
| **Former** | | | | | |
| A M Andrew * | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** |
| 2013 | - | 5,889 | (5,889) | - | 42,541 |
| J Beevers * | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 4,750 | 88,367 | (93,117) | - | - |
| P McEwan * | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** |
| 2013 | - | 46,941 | (33,574) | 13,367 | - |
| N A Meehan * | | | | | |
| **2014** | **97,277** | **59,754** | **(59,754)** | **97,277** | **130,674** |
| 2013 | 70,355 | 84,912 | (57,990) | 97,277 | 190,428 |
| G J Witcombe * | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 183,535 | 141,970 | (325,505) | - | - |
| Total Executive KMP | | | | | |
| **2014** | **98,341** | **175,706** | **(175,544)** | **98,503** | **1,586,020** |
| 2013 | 258,663 | 517,524 | (664,479) | 111,708 | 1,236,463 |

* Closing balance is at cessation of employment with Orica and post exercising LTEIP during financial year 2014 and LTEIP/Retention Rights during financial year 2013.

(1) Includes purchase and exercise of options by Executives and shares acquired, including through the Dividend Reinvestment Plan (DRP).

(2) Net change other includes changes resulting from sales during the year by Executives (of which a significant portion was used to repay LTEIP loans).

(3) Includes trust shares for Executives under the LTEIP scheme.

(4) These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided earlier in this report. Under AASB 2 Share-based Payments, LTEIP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognized. The LTEIP vests after three years.

(5) Including rights held under Rights schemes.

# DIRECTORS' REPORT – REMUNERATION REPORT

## F. Non-Executive Director – Remuneration Tables and Data

Non–Executive Directors have oversight of the strategic direction of the Group but no direct involvement in the day to day management of the business. Particulars of Non-Executive Director qualifications, experience and special responsibilities are detailed on page 14 of the Annual Report. The names and positions of the Non-Executive Directors whose remuneration is disclosed in this report are provided in section A.3.

### F.1 Non-Executive Director Remuneration

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

| For the year to 30 September 2014 | Directors Fees (1) | Committee Fees (1) Audit and Risk | SH&E | HR&C | Super-annuation (2) | Other Benefits (3) | Total |
|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Current Directors** | | | | | | | |
| **R R Caplan, Chairman (4)** | | | | | | | |
| **2014** | **399.1** | **7.4** | **-** | **14.8** | **18.0** | **-** | **439.3** |
| 2013 | 170.0 | 13.1 | - | 45.0 | 16.8 | 2.5 | 247.4 |
| **M N Brenner (5)** | | | | | | | |
| **2014** | **170.0** | **15.1** | **-** | **33.7** | **18.0** | **-** | **236.8** |
| 2013 | 85.0 | - | - | 11.3 | 8.6 | 17.5 | 122.4 |
| **A Calderon** | | | | | | | |
| **2014** | **170.0** | **15.1** | **23.3** | **-** | **18.0** | **-** | **226.4** |
| 2013 | 22.5 | - | - | - | 2.4 | - | 24.9 |
| **I D Cockerill (6)** | | | | | | | |
| **2014** | **170.0** | **-** | **37.6** | **15.1** | **18.0** | **49.5** | **290.2** |
| 2013 | 170.0 | - | 22.5 | - | 16.8 | 49.6 | 258.9 |
| **Lim Chee Onn** | | | | | | | |
| **2014** | **170.0** | **-** | **22.5** | **15.1** | **18.0** | **12.5** | **238.1** |
| 2013 | 170.0 | - | 22.5 | - | 16.8 | 15.0 | 224.3 |
| **N L Scheinkestel (5)** | | | | | | | |
| **2014** | **170.0** | **29.8** | **-** | **37.6** | **18.0** | **-** | **255.4** |
| 2013 | 170.0 | 45.0 | - | 22.5 | 16.8 | 17.5 | 271.8 |
| **G T Tilbrook** | | | | | | | |
| **2014** | **170.0** | **37.6** | **-** | **-** | **18.0** | **15.0** | **240.6** |
| 2013 | 22.5 | 3.0 | - | - | 2.4 | 2.5 | 30.4 |
| **Former Director** | | | | | | | |
| **P J B Duncan, Chairman (7) (8)** | | | | | | | |
| **2014** | **170.0** | **-** | **-** | **-** | **5.9** | **-** | **175.9** |
| 2013 | 510.0 | - | - | - | 16.8 | 2.5 | 529.3 |
| **G A Hounsell (9)** | | | | | | | |
| **2014** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2013 | 70.8 | 9.4 | - | 9.4 | 6.9 | - | 96.5 |
| **M Tilley (5)** | | | | | | | |
| **2014** | **56.6** | **7.5** | **15.0** | **-** | **5.9** | **-** | **85.0** |
| 2013 | 170.0 | 22.5 | 45.0 | - | 16.8 | 17.5 | 271.8 |
| **Total Non-Executive Directors** | | | | | | | |
| **2014** | **1,645.7** | **112.5** | **98.4** | **116.3** | **137.8** | **77.0** | **2,187.7** |
| 2013 | 1,560.8 | 93.0 | 90.0 | 88.2 | 121.1 | 124.6 | 2,077.7 |

(1) Represents Directors' remuneration earned during the financial year.

(2) Company superannuation contributions made on behalf of Non-Executive Directors.

(3) These benefits include travel allowances payable to Non-Executive Directors and any additional Committee fees paid to directors for extra services or special exertions.

(4) Appointed on 30 January 2014.

(5) An additional fee of $15,000 was paid to M N Brenner, N L Scheinkestel and M Tilley for extra services and special exertions related to a services or special exertions related to Working Group Committee that met during financial year 2013.

(6) Other benefits for I D Cockerill include spousal travel (inclusive of any fringe benefits tax).

(7) Orica has discontinued retirement allowances for all Non-Executive Directors. P J B Duncan was appointed prior to 1 July 2002 and had his retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance of $154,800 was paid upon his retirement. In accordance with rule 48.1 of Orica's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for Non-Executive Directors.

(8) Retired on 30 January 2014.

(9) Retired on 18 February 2013.

# DIRECTORS' REPORT – REMUNERATION REPORT

## F.2 Relevant interests of Non-Executive Director transactions in the share capital of the consolidated entity:

| As at 30 September | Balance 1 October | Acquired (1) | Net change other (2) | Fully paid ordinary shares held at 30 September |
|---|---|---|---|---|
| **Non-Executive Directors** | | | | |
| R R Caplan | | | | |
| **2014** | **18,280** | **9,803** | **-** | **28,083** |
| 2013 | 11,291 | 6,989 | - | 18,280 |
| M N Brenner * | | | | |
| **2014** | **-** | **-** | **-** | **-** |
| 2013 | - | - | - | - |
| A Calderon * | | | | |
| **2014** | **-** | **2,300** | **-** | **2,300** |
| 2013 | - | - | - | - |
| I Cockerill | | | | |
| **2014** | **6,231** | **4,366** | **-** | **10,597** |
| 2013 | 6,094 | 137 | - | 6,231 |
| Lim Chee Onn | | | | |
| **2014** | **11,000** | **-** | **-** | **11,000** |
| 2013 | 11,000 | - | - | 11,000 |
| N L Scheinkestel | | | | |
| **2014** | **24,391** | **2,387** | **-** | **26,778** |
| 2013 | 21,126 | 3,265 | - | 24,391 |
| G T Tilbrook * | | | | |
| **2014** | **4,000** | **-** | **-** | **4,000** |
| 2013 | - | 4,000 | - | 4,000 |
| **Former** | | | | |
| P J Duncan ** | | | | |
| **2014** | **15,936** | **-** | **-** | **15,936** |
| 2013 | 15,936 | - | - | 15,936 |
| G A Hounsell ** | | | | |
| **2014** | **-** | **-** | **-** | **-** |
| 2013 | 12,359 | 273 | - | 12,632 |
| M Tilley ** | | | | |
| **2014** | **6,329** | **-** | **-** | **6,329** |
| 2013 | 6,329 | - | - | 6,329 |
| Total Non-Executives | | | | |
| **2014** | **86,167** | **18,856** | **-** | **105,023** |
| 2013 | 84,135 | 14,664 | - | 98,799 |

* M N Brenner was appointed as a director on 8 April 2013. A Calderon and G T Tilbrook were appointed as directors on 14 August 2013.

** Closing balance is at cessation of directorship.

(1) Shares acquired by Non-Executives, including through the Dividend Reinvestment Plan (DRP).

(2) Net change other includes changes resulting from sales during the year by Non-Executives.

# DIRECTORS' REPORT

**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 Class Order 98/100 dated 10 July 1998.

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

R R Caplan
Chairman

I K Smith
Managing Director and Chief Executive Officer

Dated at Melbourne this 19th day of November 2014.

***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 for the financial year ended 30 September 2014 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

Martin Sheppard
*Partner*
Melbourne
19 November 2014