DIRECTORS' REPORT – REMUNERATION REPORT 2018 (AUDITED)

Executive summary

How are 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 both in the short and long-term. Strategic drivers are reflected in STI and LTI performance measures – so Orica's actual performance directly affects what Executives are paid. The diagram below provides an overview of the Framework and the specific performance linkages. Key terms of the Short-Term and Long-Term Incentive Plans are outlined in Section 3.1.

Our strategic drivers…	are reflected in STI and LTI performance measures…	so Orica's actual performance in FY2018…	links to what Executives are paid.
Safety	**Reduce risk from major hazards and lower lost time due to injury**	Positive progress in implementation of Orica's Major Hazards program together with a disappointing increase in lost-time injuries; albeit more severe injuries and events were reduced.	**CEO STI outcome** in FY2018 = 36.67% of target (18.34% of maximum) **Average STI in FY2018 for Executive KMP, including the CEO** = 46.51% of target (23.25% of maximum) The Board revised outcomes against the financial metrics and exercised its discretion to reduce these outcomes by 75% for the CEO and Executives.
Business Transformation	**EBIT/Sales** Sustainably increase productivity and devolve responsibility to regional businesses.	Volume mix/margin improvement mainly from new contracts was offset by one-off first-half impacts. While strong sales volume growth was achieved, full year EBIT was lower than last year. This resulted in no award against this metric.	
	Sales/Net Operating Assets Enhance returns on invested capital, deliver enabling technology, develop adjacency growth and optimise capital allocation.	Strong sales volume growth together with disciplined Net Operating Asset growth resulted in an above-target outcome.	
	Personal objectives for each Executive (other than the CEO) reflect strategic priorities including growth, enhancing Orica's development and use of technology, and culture.[1]	Continued penetration of high-value technology-based products. Successful implementation globally of the second phase of Orica's systems renewal program. Positive progress on culture and organisation health.	
Long-term shareholder value creation	**Return on Net Assets, together with increased holding locks.** Drive sustainable productivity improvement and efficient capital allocation.	During FY2018, the FY2015 award was eligible for testing. This award was subject to testing against RTSR and ROC measures. Threshold performance was not achieved for either metric.	No LTI vested in FY2018 for the CEO and eligible Executive KMP.

(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 organisation health baselines and against plans to improve engagement and strengthen business conduct, ethics and compliance. Building and strengthening diversity and conduct 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.

Contents

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 FY2018	Commencement date in role	Country of Residence
Executive Director			
Alberto Calderon	Managing Director and CEO	19 May 2015	Australia
Executive KMP			
Vincent Nicoletti	Chief Financial Officer	1 October 2017	Australia
James Bonnor	Group Executive and President, North America	1 October 2015	United States
Darryl Cuzzubbo	Group Executive and President, Australia Pacific & Asia	1 October 2016	Australia
Carlos Duarte	Group Executive, Manufacturing & Supply	1 October 2017	Australia
Angus Melbourne	Chief Commercial Officer	1 October 2016	Singapore
Germán Morales	Group Executive and President, Latin America	1 September 2018	Chile
Sebastian Pinto(1)	Group Executive and President, Latin America	1 October 2015	Chile
Thomas Schutte	Group Executive and President Europe, Middle-East and Africa	1 October 2017	United Kingdom

(1) Ceased to be a reportable KMP on 27 April 2018.

Changes in Key Management Personnel effective 1 October 2018

- Christopher Davis was appointed as Chief Financial Officer effective 1 October 2018; and
- Vincent Nicoletti, Chief Financial Officer, ceased to be a reportable KMP from 30 September 2018 and will leave Orica at the end of December 2018.

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 FY2018 are set out below:

Name	Role in FY2018	Commencement date in role	Country of Residence
Directors			
Malcolm Broomhead	Non-Executive Director, Chairman	1 December 2015	Australia
Maxine Brenner	Non-Executive Director	8 April 2013	Australia
Ian Cockerill	Non-Executive Director	12 July 2010	South Africa
Denise Gibson	Non-Executive Director	1 January 2018	United States
Karen Moses	Non-Executive Director	1 July 2016	Australia
Lim Chee Onn	Non-Executive Director	12 July 2010	Singapore
Gene Tilbrook	Non-Executive Director	14 August 2013	Australia

Section 2. Key stakeholder questions

2.1 What is Orica's Executive remuneration strategy?

Orica's Executive Remuneration Strategy is illustrated below:

OBJECTIVE: COMPETITVE REMUNERATION THAT ALIGNS EXECUTIVES WITH THE LONG-TERM SUCCESS OF ORICA AND ITS SHAREHOLDERS

BOARD PRIORITIES	Strong **alignment** with shareholder returns	**Fit for purpose** and aligned to business strategy	**Simple and transparent**	**Globally competitive,** enabling Orica to attract and retain the best talent

2.2 How is Executive remuneration structured?

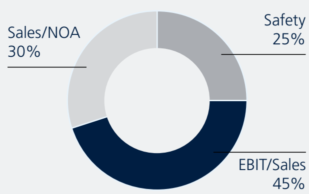
Orica's FY2018 Executive Remuneration Framework focuses on delivery of the ongoing turnaround of the Company through operating safely, enhancing operating and capital efficiency and embedding those efficiencies for long-term improvement in capital returns. The diagram below provides an overview of the different components within the Framework.

Three key elements that underpinned the design were:

- Increasing the quantum and length of management shareholding;
- Increasing the weighting of financial metrics – 75% financial performance metrics applied to the CEO, with overriding Board discretion to adjust for appropriate outcomes; and
- Improving transparency – metrics directly linked to long-term value creation.

Overall Board discretion is retained to adjust incentive outcomes as appropriate.

Significant proportion at risk
Extended equity 'lock in' (five year total hold)
Overriding Board discretion to adjust for appropriate outcomes

REMUNERATION COMPONENT	FIXED ANNUAL REMUNERATION (FAR)	SHORT-TERM INCENTIVE (STI)		LONG-TERM INCENTIVE (LTI)
PURPOSE	Provide competitive base pay to attract and retain the skills needed to manage a global business in a complex operating environment	Drive performance aligned to long-term value creation		Drive long-term value creation for shareholders Encourage an owner's mindset and long-term decision-making
DELIVERY	Base salary, superannuation and allowances (per local market practice)	Annual cash payment	Deferred into share rights for one year with a further three year holding lock	Performance rights (vesting after three years, subject to performance) with a further two year holding lock
FY2018 APPROACH	Target Fixed Remuneration positioning is **median** of comparator group Comparators: custom group that reflects Orica's operations, size and has substantial global operations plus additional reference to ASX-listed companies with similar market capitalisation and geographic/ role-specific benchmarks	**STI Performance Measures (CEO)** 		**LTI Performance Measure** Return on Net Assets (RONA) – averaged over three years For each year RONA is calculated as annual Earnings Before Interest and Tax (EBIT) *divided by:* Rolling 12 month Net Operating Assets (NOA)

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 FY2018 remuneration is earned and delivered, and when holding locks are lifted.

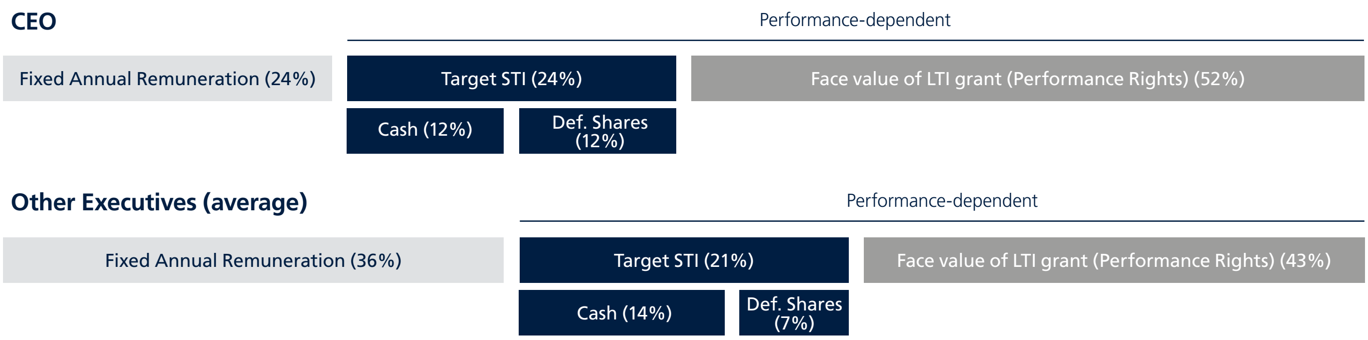
2.4 What is the remuneration mix for Executive KMP?

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 and 64% is delivered as shares or share rights.
- Other Executive KMP: 64% of their remuneration (on average) is performance-based pay and 50% is delivered as shares or share 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). Executive KMP have minimum shareholding requirements.



2.5 How much did Executives get paid in FY2018?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY2018.

Executives (KMP)	Fixed annual Remuneration(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
Alberto Calderon	1,800.0	330.0	2,130.0	718.0	1.6	2,849.6
Vincent Nicoletti(5)	920.0	174.2	1,094.2	–	191.4	1,285.6
James Bonnor	893.3	148.3	1,041.6	119.1	59.5	1,220.2
Darryl Cuzzubbo	813.2	243.4	1,056.6	–	1.5	1,058.1
Carlos Duarte	900.0	171.0	1,071.0	–	262.2	1,333.2
Angus Melbourne	962.9	239.7	1,202.6	446.8	183.4	1,832.8
Germán Morales	55.5	–	55.5	–	250.0	305.5
Sebastian Pinto(6)	363.7	–	363.7	97.6	24.8	486.1
Thomas Schutte	1,025.5	237.6	1,263.1	222.8	575.4	2,061.3
Total	7,734.1	1,544.2	9,278.3	1,604.3	1,549.8	12,432.4

(1) Annual remuneration paid includes actual base pay received and superannuation (or equivalent pension) contributions.

(2) FY2018 STI will be delivered in two components: cash and deferred equity that will vest 12 months post the grant date and then be subject to a three-year holding lock.

(3) This contains deferred STI from FY2017 that has vested. No LTI vested in FY2018.

(4) Includes cash value of relocation assistance and other benefits provided (where applicable). Movements in annual leave and long-service leave balances have not been shown.

(5) Vincent Nicoletti, Chief Financial Officer, ceased to be a KMP on 30 September 2018 and will leave Orica at the end of December 2018. In addition to his statutory entitlements to accrued annual leave at separation date, under the terms of his severance agreement, he will receive a severance payment of $460,000 being the balance of his 6 month notice period and a payment of $50,000 for relocation costs. The Board determined that, as a good leaver, any incentives under the Orica LTI plan that are unvested at the time of cessation or vested but under restriction will continue up to and beyond the cessation date and remain subject to the terms of the grant.

(6) Sebastian Pinto, the former Group Executive and President Latin America, ceased employment with Orica on 27 April 2018. In addition to his statutory entitlements to accrued annual leave, he was paid a severance payment of $480,326 on cessation of employment in accordance with Chilean law. As detailed in the table in Section 2.5 above, no STI payment was paid in relation to FY2018. The Board determined that, as a good leaver, any incentives under the Orica LTI plan that are unvested at the time of cessation or vested but under restriction will continue up to and beyond the cessation date and remain subject to the terms of the grant.

Section 3. Executive remuneration

3.1 Executive Remuneration Framework

The following table outlines the FY2018 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	**Primary comparator group** – 18 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. Based on data available as at 31 August 2017, the custom comparator group (excluding Orica) comprised the following companies: Amcor, Ansell, BHP, BlueScope Steel, Boral, Brambles, CSL, Fortescue Metals Group, Goodman Group, James Hardie, Newcrest Mining, Nufarm, Res Med, Rio Tinto, Sims Metal, South32, Woodside and Worley Parsons. **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 31 August 2017.
FAR	
Payment vehicle	FAR includes cash, superannuation and other benefits.
STI	
Changes in FY2018	STI performance measures were focused on safety and financial metrics linked to improvement in RONA. For FY2018, financial performance was measured through two elements of RONA: operating efficiency (EBIT/Sales) and capital efficiency (Sales/NOA).
Payment vehicle	Cash and deferred shares.
Opportunity	CEO: 0% to 200% of FAR; 100% at target. Other Executives: 0% to 120% of FAR; 60% at target.
Performance Measures	CEO: Safety (25%); EBIT[1]/Sales (45%); Sales/NOA[1] (30%) Other Executives (in general): Safety (17.5%); EBIT[1]/Sales (31.5%); Sales/NOA[1] (21%); Strategic Priorities (30%) For each measure, a threshold level is set, below which no incentive is paid, a target level and a maximum level that caps payment with straight line vesting applied between threshold and target and between target and maximum. For Regional Presidents, Safety and Financial metrics are rewarded equally on Group and Regional performance. 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.
Deferred STI	CEO: 50% deferral of STI into shares for one-year subject to risk of forfeiture Other Executives: one third deferral of STI into shares for one-year subject to risk of forfeiture The number of deferred shares is based on the five-day volume weighted average price (VWAP) at the grant date after the annual results are announced.
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 relaxed 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 receive dividends on unvested and vested shares respectively.

LTI	
Changes in FY2018	For FY2018, the LTI outcome is determined solely by RONA (see Performance Measure below). The holding lock was introduced to be more aligned with shareholder experience.
Payment vehicle	Performance share rights.
Opportunity (face value)	CEO: 215% of FAR grant at face value Other Executives: 120% of FAR grant at face value The actual number of performance share 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 FY2017 annual results ($18.62).
Performance period	Performance is measured over three financial years (FY2018, FY2019 and FY2020).
Performance measure	RONA – calculated as annual EBIT/rolling 12-month Net Operating Assets (calculated on an average basis over three financial years).
Targets and vesting schedule	The FY2018 vesting schedule for the RONA performance measure is as follows:

Average RONA over 3 years	% of Rights vesting
Below 13.7%[2]	No vesting
At 13.7%	30% of rights vest
Between 13.7% and 14.0%	Straight line vesting between 30% and 60% of rights vest
At 14.0%	60% of rights vest
Between 14.0% and 14.7%	Straight line vesting between 60% and 100% of rights vest
At or above 14.7%	100% of rights vest

RONA targets reflect the Board's expectations for returns through the current industry/market cycle, Orica's Corporate Plan and Transformation Program and are set to provide genuine opportunity for outperformance to be rewarded.

For the FY2018-20 LTI grant, the RONA required for maximum (stretch) vesting is set to reflect RONA levels required to achieve long-term value for shareholders. Management must deliver average RONA aligned to FY2017 outcomes to achieve threshold vesting.

To achieve target or above-target vesting for this grant, management must deliver EBIT growth that is significantly above the underlying explosives market growth rate and is in the second quartile of EBIT growth rates achieved by ASX100 Industrials and Materials companies over the preceding three to five years.

Holding locks	Following the three-year performance period, vested performance share rights are converted into shares and are subject to a further two-year holding lock during which time Executives are restricted from trading in shares. The holding lock was designed to support an owner's mindset and provide alignment with shareholders. Disposal restrictions may be relaxed 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 share rights during the three-year performance period. Once vested, however, Executives are entitled to receive dividends including when shares are restricted from disposal during the two-year holding lock.

(1) Defined as per section 3.2.

(2) The Board originally approved the RONA minimum threshold at 13.6%. This was subsequently amended in December 2017 to 13.7% in line with the actual RONA achieved in FY2017.

3.2 Short-term incentive outcomes – link to performance

(a) Summary of FY2018 STI performance conditions and performance level achieved

For FY2018, business and personal performance, target weighting of each component of the CEO's scorecard and performance level achieved are summarised below:

Category	Measure	Performance and reward alignment	Weighting (at target)	2018 outcome	Outcome commentary
Safety	All Worker Recordable Case Rate (AWRCR)(1)	Rewards a continuous focus on safe and reliable operations measured through a combination of lagging and leading indicators.	8.33%	△	Positive progress in implementation of Orica's Major Hazards program together with a disappointing increase in lost-time injuries; albeit more severe injuries and events reduced.
	Key control verifications(2)		8.33%	●	
	Overdue actions(3)		8.33%	◑	
Operating efficiency	EBIT(4)/Sales	Rewards improvements to operational efficiency and sustainable increases in productivity and profitability during transformation period.	45%	△	Volume mix/margin improvement mainly from new contracts was offset by one-off first-half impacts. Whilst strong sales volume growth was achieved, full year EBIT was lower than last year. This resulted in no award against this metric.
Capital efficiency	Sales/Net Operating Assets(5)	Rewards enhanced returns from invested capital, developing enabling technology and adjacency growth, optimising capital allocation and reallocation.	30%	◕	Strong sales volume growth together with disciplined Net Operating Asset growth resulted in an above-target outcome.
Board discretion	Given Orica's disappointing EBIT and RONA outcomes, the Board applied its discretion to reduce the outcome for financial metrics by 75%.				
Overall STI outcome (post Board discretion)			**% Target**	**36.67%**	
			% Maximum	**18.34%**	
KEY	△ Threshold not met ○ Threshold ◔ b/w Threshold & Target ◑ Target ◕ b/w Target & Maximum ● Maximum				

(1) AWRCR measures number of employee and contractor recordable cases (injuries and illnesses) per 200,000 hours worked by employee/contractor.

(2) Completion of scheduled Safety, Health & Environment (SHE) Assessments against specified SHE Management System. SHE Assessments measures percentage completion of scheduled regional and site level self-assessments.

(3) Overdue actions arising from corporate safety audits and assessments, major hazard assessment actions and severity 3+ incident actions.

(4) For STI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items. For the purposes of the STI calculation, GroundProbe's operating results have been deducted from EBIT so that they are not treated favourably for management.

(5) 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. For the purposes of the STI calculation, net operating assets attributable to GroundProbe have been deducted and the Minova and IT impairments have been added back so they are not treated favourably for management.

In determining outcomes for FY2018, management and the Board recognise that Orica's overall level of performance did not meet shareholder expectations.

While pleasing progress was made on aspects of safety performance, full year EBIT and RONA outcomes in FY2018 were lower than in FY2017 impacted by one-off first-half impacts including Burrup operational issues and unplanned maintenance at the Yarwun plant, together with challenging market conditions in LATAM. Additionally, non-cash impairment charges and increases to environmental provisions were taken.

The Board considered outcomes against financial metrics and exercised its discretion to reduce these outcomes by 75% for the CEO and Executives. This reduced the overall STI award for the CEO to 36.67% of target or 18.34% of maximum (a reduction of $630,000), the lowest STI outcome for the CEO in 6 years, and to 46.51% of target or 23.25% of maximum for Key Management Personnel, including the CEO.

Outcomes for Executive KMP variously reflected Group and Regional Safety outcomes, Group and Regional Financial outcomes (adjusted as above) and achievement of strategic initiatives specific to Executives' roles. There was a wide range of outcomes ranging from zero for the former Group Executive and President LATAM to 74% of target overall for the Group Executive and President APA.

In determining overall outcomes, the Board considered and adjusted for several non-cash/individually-material items to ensure that management was neither advantaged nor disadvantaged by these items. The key impacts of this approach were to remove the otherwise dilutive effect of GroundProbe in the year of acquisition (GroundProbe will be included from FY2019 onwards), and to remove any benefit to management from Minova and IT impairments.

Management's efforts are focused on driving growth in FY2019, building on improved second-half results.

(b) Short-term incentive outcome – FY2018

Details of the FY2018 outcomes for eligible Executive KMP are set out in the table below.

For the year ended 30 September 2018	Maximum STI opportunity(1) $000	Actual STI paid in cash $000	Actual STI paid in deferred equity(2) $000	Actual STI payment as % of maximum	% of maximum STI forfeited
Current Executive KMP					
Alberto Calderon	3,600.0	330.0	330.0	18.3	81.7
Vincent Nicoletti	1,104.0	174.2	87.1	23.7	76.3
James Bonnor	1,072.2	148.3	74.2	22.0	78.0
Darryl Cuzzubbo	981.1	243.4	121.7	37.2	62.8
Carlos Duarte	1,080.0	171.0	85.5	23.8	76.2
Angus Melbourne	1,112.1	239.7	119.9	32.3	67.7
Germán Morales(3)	–	–	–	–	–
Thomas Schutte	1,241.5	237.6	118.8	28.7	71.3
Former Executive KMP					
Sebastian Pinto	408.0	–	–	–	100.0

(1) For Australian based Executives KMP, maximum STI opportunity is calculated on FAR inclusive of superannuation. For overseas based Executives, KMP maximum STI opportunity does not include the equivalent pension contributions.

(2) Under AASB 2 *Share-based Payments*, 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 arising from the 2018 STI outcome has been included in each Executive KMP's share based payments expense in 2018 and the remainder will be included in 2019.

(3) Not eligible to participate in the FY2018 STI plan.

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	FY2015	FY2015 – FY2017	Vesting of Rights is subject to: ▪ Average ROC (50%); and ▪ Relative TSR ranking against ASX 100 (50%).	Forfeited
LTIP	FY2016	FY2016 – FY2018	As above	Not yet tested
LTIP	FY2017	FY2017 – FY2019	As above	Not yet tested
LTIP	FY2018	FY2018 – FY2020	RONA (100%)	Not yet tested

The FY2015 LTIP was tested in November 2017. The minimum performance hurdles for both ROC and RTSR were not met. Accordingly, no vesting occurred, and all awards were forfeited. As previously advised, the Board determined that ROC for the FY2015 LTIP grant should be calculated for the performance period (FY2015-17) based on unimpaired Enterprise Value i.e. the impairment announced in FY2015 was added back to the Enterprise Value for the purposes of testing.

3.4 What equity was granted in FY2018?

The table below presents the equity granted at face value to Executive KMP for FY2018.

Executives	FY2018 LTI(1) $	FY2017 Deferred shares(2) $	Sign-on rights $	Total $
Alberto Calderon	3,870,000	949,825	–	4,819,825
Vincent Nicoletti	1,104,000	–	–	1,104,000
James Bonnor	959,477	199,923	–	1,159,400
Darryl Cuzzubbo	981,120	232,582	–	1,213,702
Carlos Duarte	1,080,000	–	522,750	1,602,750
Angus Melbourne	1,075,162	227,574	–	1,302,736
Germán Morales	–	–	256,200	256,200
Sebastian Pinto	695,310	128,646	–	823,956
Thomas Schutte	1,191,079	300,732	–	1,491,811
Total	**10,956,148**	**2,039,282**	**778,950**	**13,774,380**

(1) Subject to performance conditions and due to vest in November 2020 and then subject to 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.

3.5 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, which shows alignment of Orica's incentive awards with its performance.

Financial year ended 30 September	2014	2015	2016	2017	2018
Profit/(loss) from Operations ($m)	929.7	(1,195.0)	637.6	635.1	**242.8**
Individually significant items – net expense ($m)(1)	–	1,884.4	4.6	–	**375.3**
EBIT ($m)(2)	929.7	689.4	642.2	635.1	**618.1**
Dividends per ordinary share (cents)	96.0	96.0	49.5	51.5	**51.5**
Closing share price ($ as at 30 September)(3)	18.90	15.04	15.20	19.77	**17.03**
3-month average share price (1 July to 30 September) each year	20.56	17.29	14.12	20.12	**17.31**
EPS growth (%)(2)	0.5	(30.0)	(8.8)	(1.7)	**(16.6)**
NPAT ($m)(2)	602.5	424.2	389.1	386.2	**324.2**
External Sales ($m)	6,796.3	6,123.2	5,091.9	5,039.2	**5,373.8**
Cumulative TSR (%)(4)	9.6	(3.0)	(16.7)	22.1	**7.9**
Average STI received as % of maximum opportunity for Executives	49.0	32.0	39.0	60.0	**23.0**

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

(2) Before individually significant items.

(3) The opening share price for financial year 2014 was $20.06.

(4) Cumulative TSR has been calculated using the same start date for each period measured (1 October 2013). In calculating the cumulative TSR, three-month average share prices (1 July to 30 September for each year) have been used.

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 reflect 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 fixed annual remuneration 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.

3.7 FY2019 Short-term incentive metrics

Orica remains focused on long-term growth in RONA, together with margin and capital efficiency in the short-term. For FY2019, the Board will measure short-term progress with two measures: EBIT and one-year RONA. These measures are simpler and are directly aligned to value creation for shareholders.

With respect to target setting for the 2019 STI plan, the Board has generally raised the threshold levels at which STI may be earned, increasing alignment between rewards and shareholder outcomes.

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 $2,500,000 was approved by shareholders at the Company's 2010 Annual General Meeting. 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:

Fees/benefits	Description	2018 $	Included in shareholder approved cap
Board fees	**Main Board**		
	Chairman – Malcolm Broomhead	510,000	
	Members – all Non-Executive Directors	170,000	Yes
Committee fees	**Board Audit and Risk Committee (BARC)**		
	Chairman – Gene Tilbrook	45,000	
	Members – Maxine Brenner, Karen Moses	22,500	
	Human Resources and Compensation Committee (HR&C)		
	Chairman – Maxine Brenner	45,000	Yes
	Members – Ian Cockerill, Denise Gibson (appointed February 2018), Lim Chee Onn	22,500	
	Safety, Health, Environment and Community Committee (SH&E)		
	Chairman – Ian Cockerill	45,000	
	Members – Lim Chee Onn, Gene Tilbrook, Karen Moses	22,500	
Superannuation	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
Other fees/benefits	Directors receive a travel allowance based on the hours travelled to a Board meeting. The allowance paid is $2,500 per meeting for travel between 3 and 12 hours or $5,000 if travel time exceeds 12 hours. Directors are also entitled to be paid additional fees for extra services or special exertions.		No

Section 5. Remuneration governance

5.1 Responsibility for setting remuneration

The Human Resources and Compensation Committee (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 short-term and long-term incentive 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 consultants as defined under the *Corporations Act 2001*.

5.3 Share trading policy and Malus

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, the extent to which any internal policies, external regulations and/or risk management requirements were breached and any other relevant matters.

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.

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 50% of FAR (and 100% of FAR for the Managing Director and CEO) 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.

The table below sets out the number of shares held directly and indirectly by Directors and Executive KMP employed at 30 September 2018:

	Balance at 1 October 2017	Acquired(1)	Disposed	Balance at 30 September 2018	Minimum Shareholding Required(2)	Date Minimum Shareholding Required to be met
Executive KMP						
Alberto Calderon	26,352	42,237	–	68,589	105,695	31 December 2022
Vincent Nicoletti	–	–	–	–	n/a	n/a
James Bonnor	6,037	7,008	–	13,045	26,227	31 December 2022
Darryl Cuzzubbo	–	–	–	–	24,004	30 September 2022
Carlos Duarte	–	–	–	–	26,423	30 September 2023
Angus Melbourne	17,758	24,612	–	42,370	27,209	30 September 2022
Germán Morales	–	–	–	–	19,620	31 August 2024
Thomas Schutte	–	13,106	–	13,106	30,375	31 December 2022
Non-Executive Directors						
Malcolm Broomhead	30,300	5,800	–	36,100		
Maxine Brenner	6,039	3,500	–	9,539		
Ian Cockerill	16,597	190	–	16,787		
Denise Gibson	–	–	–	–		
Karen Moses	8,000	3,000	–	11,000		
Lim Chee Onn	11,000	–	–	11,000		
Gene Tilbrook	9,000	3,500	–	12,500		

(1) Shares acquired, including through the Dividend Reinvestment Plan (DRP).

(2) Calculated using the Orica closing share price on 28 September 2018.

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)(6) $000	Total $000
Current Executive Directors									
Alberto Calderon									
2018	**1,779.8**	**330.0**	**55.8**	**–**	**20.2**	**–**	**2,185.8**	**1,930.1**	**4,115.9**
2017	1,780.3	949.8	10.0	–	19.7	–	2,759.8	1,892.2	4,652.0
Current Executive KMP									
Vincent Nicoletti									
2018	**899.8**	**174.2**	**239.8**	**–**	**20.2**	**–**	**1,334.0**	**160.3**	**1,494.3**
James Bonnor(5)									
2018	**873.1**	**148.3**	**81.6**	**15.9**	**20.2**	**–**	**1,139.1**	**473.6**	**1,612.7**
2017	822.2	399.9	82.6	13.9	19.7	–	1,338.3	502.8	1,841.1
Darryl Cuzzubbo									
2018	**793.0**	**243.4**	**7.4**	**–**	**20.2**	**–**	**1,064.0**	**459.9**	**1,523.9**
2017	780.3	465.2	39.2	–	19.7	–	1,304.4	322.1	1,626.5
Carlos Duarte									
2018	**900.0**	**171.0**	**293.3**	**–**	**–**	**–**	**1,364.3**	**406.9**	**1,771.2**
Angus Melbourne(5)									
2018	**962.9**	**239.7**	**175.1**	**–**	**–**	**–**	**1,377.7**	**633.5**	**2,011.2**
2017	874.5	455.2	277.5	–	4.9	–	1,612.1	712.3	2,324.4
Germán Morales(5)									
2018	**52.2**	**–**	**252.9**	**–**	**3.3**	**–**	**308.4**	**10.7**	**319.1**
Thomas Schutte(5)									
2018	**998.4**	**237.6**	**584.8**	**–**	**27.1**	**–**	**1,847.9**	**606.2**	**2,454.1**
2017	950.0	601.6	67.1	–	–	–	1,618.7	589.2	2,207.9
Total Current Executive KMP									
2018	**5,479.4**	**1,214.2**	**1,634.9**	**15.9**	**91.0**	**–**	**8,435.4**	**2,751.1**	**11,186.5**
2017	3,427.0	1,921.9	466.4	13.9	44.3	–	5,873.5	2,126.4	7,999.9
Former Executive KMP									
Sebastian Pinto(5)									
2018	**334.6**	**–**	**24.8**	**–**	**29.1**	**552.6**	**941.1**	**212.1**	**1,153.2**
2017	538.9	257.4	0.1	–	47.1	–	843.5	327.6	1,171.1
Total Executive KMP									
2018	**5,814.0**	**1,214.2**	**1,659.7**	**15.9**	**120.1**	**552.6**	**9,376.5**	**2,963.2**	**12,339.7**
2017	3,965.9	2,179.3	466.5	13.9	91.4	–	6,717.0	2,454.0	9,171.0
Total									
2018	**7,593.8**	**1,544.2**	**1,715.5**	**15.9**	**140.3**	**552.6**	**11,562.3**	**4,893.3**	**16,455.6**
2017	5,746.2	3,129.1	476.5	13.9	111.1	–	9,476.8	4,346.2	13,823.0

* Share-based payment (SBP).

(1) Cash STI Payment includes payments relating to FY2018 performance accrued but not paid until FY2019.

(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 and health insurance.

(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 or not long-term incentives vest in the future is described in Section 3.1.

(5) 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.

(6) 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 FY2018 and the remainder will be included in FY2019.

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

Details of LTIP 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 2018	Grant date	Granted during FY2018	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 Directors							
Alberto Calderon							
LTIP rights	5 Jan 18	207,841	–	–	207,841	3,273,496	409,187
LTIP rights	30 Dec 16	–	–	–	192,742	2,639,602	539,658
LTIP rights	22 Feb 16	–	–	–	220,000	1,977,800	341,326
Deferred shares(1)	1 Dec 17	51,011	–	–	51,011	949,825	474,913
Deferred shares	1 Dec 16	–	42,237	–	–	710,010	–
Current Executive KMP							
Vincent Nicoletti							
LTIP rights	5 Jan 18	59,291	–	–	59,291	933,833	116,729
James Bonnor							
LTIP rights	5 Jan 18	51,529	–	–	51,529	811,582	101,448
LTIP rights	30 Dec 16	–	–	–	47,864	655,497	134,015
LTIP rights	22 Feb 16	–	–	–	65,137	585,582	101,059
LTIP rights	23 Feb 15	–	–	23,940	–	309,425	–
Deferred shares(1)	1 Dec 17	10,737	–	–	10,737	199,923	99,962
Deferred shares	1 Dec 16	–	7,008	–	–	117,811	–
Darryl Cuzzubbo							
LTIP rights	5 Jan 18	52,691	–	–	52,691	829,883	103,735
LTIP rights	30 Dec 16	–	–	–	47,590	651,745	133,247
LTIP rights	22 Feb 16	–	–	–	28,560	256,754	44,310
Deferred shares(1)	1 Dec 17	12,491	–	–	12,491	235,582	117,791
Carlos Duarte							
LTIP rights	5 Jan 18	58,002	–	–	58,002	913,532	114,192
Sign-on rights(2)	27 Oct 17	25,000	–	–	25,000	522,750	250,011
Angus Melbourne							
LTIP rights	5 Jan 18	57,742	–	–	57,742	909,437	113,680
LTIP rights	30 Dec 16	–	–	–	52,760	722,548	147,723
LTIP rights	22 Feb 16	–	–	–	68,545	616,220	106,347
Deferred shares(1)	1 Dec 17	12,222	–	–	12,222	227,574	113,787
Deferred shares	1 Dec 16	–	6,854	–	–	115,220	–
Sign-on rights	12 Jan 16	–	17,758	–	17,757	670,352	91,983
Germán Morales							
Sign-on rights(2)	3 Sep 18	15,000	–	–	15,000	256,200	10,675
Thomas Schutte							
LTIP rights	5 Jan 18	63,967	–	–	63,967	1,007,480	125,935
LTIP rights	30 Dec 16	–	–	–	56,513	773,946	158,231
LTIP rights	22 Feb 16	–	–	–	72,353	650,453	112,254
Deferred shares(1)	1 Dec 17	16,151	–	–	16,151	300,732	150,366
Deferred shares	1 Dec 16	–	13,106	–	–	220,318	–

For the year ended 30 September 2018	Grant date	Granted during FY2018	Vested	Lapsed	Balance at year end	Fair value of instruments at grant date $	Value of equity instruments included in compensation for the year $
Former Executive KMP							
Sebastian Pinto							
LTIP rights	5 Jan 18	37,342	–	24,895	12,447	196,040	24,505
LTIP rights	30 Dec 16	–	–	10,806	21,610	443,937	60,506
LTIP rights	22 Feb 16	–	–	–	40,488	363,987	62,816
LTIP rights	23 Feb 15	–	–	19,291	–	249,336	–
Deferred shares(1)	1 Dec 17	6,909	–	–	6,909	128,646	64,323
Deferred shares	1 Dec 16	–	5,741	–	–	96,509	–

(1) Deferred shares awarded on 1 December 2017 in respect of the FY2017 STI award.

(2) Rights to Orica shares granted in FY2018 as part of an employment agreement. 50% of rights will vest 12 months from grant date and the remaining 50% will vest 24 months from grant date.

The number of Rights issued under the LTIP issued to Executive KMP and senior management and accounting values is detailed below:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2018	Number of rights held at 30 September 2017	Number of participants at 30 September 2018	Number of participants at 30 September 2017	Fair value of rights at grant $
20 July 18(1)	30 Nov 20	117,150	**117,150**	–	**21**	–	1,995,065
5 Jan 18	30 Nov 20	1,751,427	**1,623,852**	–	**308**	–	28,911,209
10 July 17(1)	30 Nov 19	98,410	**93,028**	96,649	**46**	48	1,742,349
30 Dec 16	30 Nov 19	1,712,055	**1,510,610**	1,659,139	**263**	284	23,446,593
4 July 16(1)	30 Nov 18	150,793	**140,014**	146,681	**12**	13	1,090,987
22 Feb 16	30 Nov 18	2,163,913	**1,815,125**	1,928,189	**172**	187	19,453,578
23 Feb 15	30 Nov 17	1,505,466	**–**	1,036,602	**–**	190	19,465,675

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(2) $	Fair value per right ROC(3) $	Fair value per right RTSR (3) $
20 July 18(1)	17.93	25	3.00	2.07	15.75		
5 Jan 18	18.53	25	3.00	2.07	15.75		
10 July 17(1)	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
4 July 16(1)	12.39	30	4.50	1.62		11.23	3.24
22 Feb 16	13.84	30	5.50	1.80		12.04	5.94
23 Feb 15	19.85	25	4.00	1.88		17.92	7.93

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

(2) For the FY2018 LTI plan rights granted are subject to a single performance condition, Return on Net Operating Assets (RONA).

(3) For Executives 50% of rights granted are subject to a Return on Capital (ROC) performance condition and 50% are subject to Relative Total Shareholder Return (RTSR) performance.

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					
2018	**510.0**	**–**	**0.2**	**20.2**	**530.4**
2017	510.0	–	0.3	19.7	530.0
Maxine Brenner					
2018	**170.0**	**67.5**	**–**	**20.2**	**257.7**
2017	170.0	67.5	–	19.7	257.2
Ian Cockerill					
2018	**170.0**	**67.5**	**30.0**	**20.2**	**287.7**
2017	170.0	67.5	34.9	19.7	292.1
Denise Gibson					
2018	**127.5**	**13.1**	**20.0**	**13.4**	**174.0**
Karen Moses					
2018	**170.0**	**45.0**	**–**	**20.1**	**235.1**
2017	170.0	22.5	–	18.2	210.7
Lim Chee Onn					
2018	**170.0**	**45.0**	**12.5**	**20.2**	**247.7**
2017	170.0	52.5	10.0	19.7	252.2
Gene Tilbrook					
2018	**170.0**	**67.5**	**15.0**	**20.2**	**272.7**
2017	170.0	67.5	17.5	19.7	274.7
Total Non-Executive Directors					
2018	**1,487.5**	**305.6**	**77.7**	**134.5**	**2,005.3**
2017	1,360.0	277.5	62.7	116.7	1,816.9

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

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.

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

M W Broomhead
Chairman

A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne 1 November 2018.