

## Case study: Sustainability-linked loans to incentivise our sustainability performance

Sustainability-linked loans (SLLs) provide a financial incentive for companies to achieve their sustainability commitments and improve their sustainability performance. They do this by measuring progress against key performance indicators. If agreed targets are met, lenders reward companies with discounts on their loan margin (that is, the cost of capital). If targets aren't met, penalties apply.

In FY2022, Orica converted \$1.3 billion of existing bank debt facilities to SLLs, becoming one of the first hard to abate heavy manufacturers to commit to this approach.

The key sustainability performance indicators under the SLLs are:

- reducing Scope 1 and Scope 2 greenhouse gas emissions
- reducing potable water intensity; and
- increasing representation of women in senior leadership.

We have focused on those areas where we can make a meaningful impact and have set ambitious performance targets and indicators that are aligned to Orica's public commitments. This means that improving our sustainability is embedded into the way that Orica does business every day and that all of our executives are aligned in meeting our targets.

Importantly, our focus goes beyond emissions and climate change to prioritise our management of water, which is vital for the continued health and wellbeing of the communities and ecosystems we operate in. Increasing the representation of women in senior leadership has also been identified as critical to Orica's success and a success measure of our ongoing efforts to foster a diverse, equitable and inclusive culture.

Supporting Orica with this transaction were The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch and Westpac Banking Corporation as Lead Sustainability Coordinators, and Australia and New Zealand Banking Group Limited and The Commonwealth Bank of Australia as Co-Lead Sustainability Coordinators. The transaction is aligned with the Sustainability-Linked Loan Principles (SLLP) and was supported with an independent second-party opinion.