

# ASX RELEASE

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## ORICA LIMITED 2021 ANNUAL GENERAL MEETING

Speeches by Malcolm Broomhead, Chairman and Sanjeev Gandhi, Managing Director and Chief Executive Officer

### Malcolm Broomhead, Chairman

Before we move on to the resolutions as outlined in the Notice of Meeting, I would like to make some remarks on what I believe are areas important to Orica, and to you, our valued shareholders.

Firstly, I will talk about our performance over the year, important remuneration changes as well as governance and then I would like to talk more broadly about sustainability, both in what Orica is doing today and the broader industry context.

### Performance

It has been a challenging year, with COVID-19 disruptions, geopolitical issues, and other external and internal factors impacting our people and results.

The Board and I are extremely proud of how the Orica people have risen to the challenges and shown unwavering commitment and resilience towards each other, our customers, and the communities in which we operate.

Despite the ongoing challenges presented this year, safety remained the highest priority across our organisation. I am pleased to report that, once again, we had no fatalities across our operations. Disappointingly, our Serious Injury Case Rate increased by 0.03 to 0.19. Preventing serious injuries will remain a key focus this year.

Our focus again has remained on the health and wellbeing of our people this year. We continue to provide support for employees and their families in areas most impacted by COVID-19 and sadly, we lost twelve colleagues to COVID-19. We extend our deepest condolences to the families and friends of our colleagues who lost their lives.

In September, we announced individually significant items impacting our results by \$382 million after tax, which resulted in a statutory Net Loss after Tax (NLAT) of \$174 million, compared to a Net Profit after Tax (NPAT) of \$82 million in the 2020 financial year. Underlying Earnings Before Interest and Tax (EBIT) were \$427 million – a decrease of 30 per cent from the prior year.

The final ordinary dividend of 16.5 cents per share, unfranked, brings the total dividend to 24.0 cents per share, down 9 cents per share compared with the 2020 financial year, reflecting a payout ratio of 47 per cent of underlying earnings.

Positively, we maintained a disciplined approach to our balance sheet and capital management, while stepping up our cash generation and controlling our levels of debt and gearing. Our cash position was notably enhanced by the sales of non-core landholdings during the year.

On an operational front this year, I am pleased to report that despite the challenges, we were able to achieve the key planned initiatives within our control, including:

- achieving our new technology targets;
- the successful integration of Exsa into Orica;
- our Burrup ammonium nitrate plant becoming fully operational;
- the acceleration of our discrete network and product portfolio optimisation programs; and
- continued execution of our global restructuring program, supported by the continued stabilisation of the SAP system.

Sanjeev will talk in more detail about these initiatives shortly.

In April 2021, the Board appointed Sanjeev Gandhi as the new Managing Director and CEO of Orica Limited. Sanjeev also took the opportunity to reshape the Executive Committee, assembling a strong leadership team with deep expertise and experience from across the organisation.

Sanjeev and the Executive Committee have the full support of the Board and with the refreshed strategy, an improving employee culture and business environment, we are confident in their ability to navigate Orica's recovery and deliver profitable growth and shareholder returns.

### **Remuneration**

Given financial performance over the 2021 financial year, the Board exercised its discretion not to award any payments under the Executive STI plan to the CEO or other Executives.

To further align Executive and Board remuneration with value delivered to shareholders, the Board made several key decisions during the year in relation to remuneration.

First, we took the opportunity to reshape the CEO remuneration package with the appointment of Sanjeev Gandhi as Managing Director and CEO. A substantial portion of the CEO's FAR is now provided in equity which ensures immediate and ongoing alignment with the shareholder experience. We also addressed feedback from our investors and decreased the CEO's maximum short-term incentive (STI) opportunity from 200% to 150%, and the long-term incentive (LTI) grant opportunity from 215% to 200%.

Second, no remuneration increases were received by Executives who remained in the same role during the 2021 financial year. For those individuals whose role changed as part of the reshaping of our Executive Committee, their fixed annual remuneration was set lower than the prior incumbent.

Third, to reflect the disappointing results for the shareholders, Board fees did not change in the financial year 2021 and will also remain at the same level for financial year 2022. In addition, I elected to forfeit my Board Chair fees from 1 June to 30 September 2021 in support of our cost reduction focus in the second half of FY2021.

Finally, during the 2021 financial year the Board undertook a formal review of our Executive Remuneration Framework, engaging with shareholders and other stakeholders as part of this process to better understand their view of our current framework and practices. In addition to the revised CEO remuneration structure, two key changes have been made to our Executive incentive plans from the 2022 financial year:

- 1) A Relative Total Shareholder Return (rTSR) metric was introduced into the LTI to complement Return on Net Asset (RONA) as a second equally weighted metric to better support the implementation of our transformation program.
- 2) Recognising the importance of monitoring the environmental impact of our operations, in the 2021 financial year we introduced Loss of Containment (LOC) as an environmental metric within our STI scorecard. For the 2022 financial year, the renamed 'Safety and Sustainability' component of our STI scorecard will include a greenhouse gas emissions-based metric in addition to LOC. The new metric is aligned with our stated objective to reduce Scope 1 and 2 operational emissions by at least 40% by financial year 2030.

## **Governance**

Moving to governance.

The Board recognises that sound corporate governance has never been more important. Responsible business behaviours and processes, and transparency, are critical to maintaining the trust of our stakeholders, particularly as we navigate the challenges presented by our external operating environment.

This year focus areas of your Board included:

1. strategy and business performance;
2. people and culture;
3. risk management;
4. sustainability;
5. technology and innovation; and
6. safety and corporate responsibility.

You can read more about our work in these areas in our 2021 Annual Report.

The skills, experiences and diversity of your Board are reviewed regularly to ensure they are aligned to achieving our strategic objectives and we undertake Board renewal appropriately.

## **Sustainability**

Now, focusing on sustainability.

Increases in global temperatures and climate change are impacting weather extremes across the globe. Our industry and customers have progressed efforts towards more sustainable activities by plotting out various technological routes and reducing greenhouse

gas emissions across processes, practices and products in order to combat climate changes.

Around the world, different industries, operating in different jurisdictions and serving different commodities require distinct approaches to climate change as the world transitions to a low carbon economy. Orica is acutely aware of these variances, and we are tailoring our solutions to suit the ever-changing market, customer and societal demands.

Although we are predominately focused on where we can have the biggest impact on climate today, our own emissions, by deploying low-emissions technologies to our major manufacturing sites and working with our global suppliers and stakeholders to reduce the footprint of our global supply chain. We are also partnering to help them achieve their own sustainability goals into the future as well.

Despite COVID-19 and the challenges associated with our financial performance, we continued to focus on the delivery of our sustainability commitments, delivering a 13 per cent reduction in our combined Scope 1 and 2 greenhouse gas emissions from 2019 levels, and we remain on track to achieve our target of at least 40 per cent reduction in Scope 1 and 2 greenhouse gas emissions by 2030.

In recognition of COP26 and the increasing global focus on tackling climate change, this year, we took a significant step in our sustainability journey and established a net zero ambition by 2050. Building on our target to reduce Scope 1 and 2 emissions by at least 40 per cent by 2030, this new ambition includes our most material Scope 3 emission sources.

We also continued to strengthen our climate governance and linked the achievement of our emissions reduction targets to executive remuneration.

Our commitment to sustainability goes beyond our net zero ambition. We will continue to evolve our approach to deliver long-term value for our stakeholders and will be working to achieve more in delivering on our key social, diversity and environmental targets in the coming year.

Sanjeev will talk in more detail about some of our sustainability achievements shortly.

## **Conclusion**

Before I invite Sanjeev to talk about our performance, refreshed strategy and sustainability in more detail, I would like to sincerely thank, on behalf of the Board, the entire Orica team who have been exceptional during yet another challenging year.

Importantly, we thank you, our shareholders, for your continued support and investment in Orica.

The Board and I are confident that the fundamentals of Orica remain strong. The refreshed strategy and Executive leadership team have Orica well positioned to navigate the recovery and deliver profitable growth by seizing opportunities as the market stabilises, delivering value for our customers and shareholders through a simpler and more efficient organisation.

I now welcome your Managing Director and Chief Executive Officer, Sanjeev Gandhi, to address you.

## **Sanjeev Gandhi, Managing Director and CEO**

Thank you, Chairman and thank you to our shareholders for joining us today.

This morning, I will talk about our performance over the past year, our refreshed strategy, our approach to sustainability, and the outlook for the year ahead.

### **Safety**

At Orica, nothing is more important than safety and we are pleased to report that, once again, we had no fatalities across our operations.

As Malcolm said earlier, disappointingly, there was a slight increase in our Serious Injury Case Rate. Preventing serious injuries will remain a key focus for us this year.

As COVID-19 continued to impact our activities and the communities we operate in, we remained focused on the health and well-being of our people and community initiatives and investments. Our employees went to extraordinary lengths, working with customers to protect their workplaces and communities and ensuring uninterrupted operations.

As we emerge from the pandemic, we are partnering with customers and governments to proactively introduce vaccination standards and programs across our operations.

### **Performance**

Our financial performance has been disappointing due to the impact of COVID-19, a strong Australian dollar and ongoing trade tensions with China. Overall, we delivered an underlying EBIT of \$427 million – a decrease of 30 per cent.

Despite this drop in performance, we maintained a disciplined approach to our balance sheet and capital management, while stepping up our cash generation and controlling our levels of debt and gearing. Gearing of 34.6 per cent remains within our target range of 30 to 40 per cent.

We are pleased to report that in the 2021 financial year, our Burrup plant, a long-term strategic asset positioned in the Pilbara, became fully operational; and Exsa, Peru's leading manufacturer and distributor of industrial explosives, acquired in May 2020, was successfully integrated into Orica and continues to deliver in line with the business case.

Our discrete network and product portfolio optimisation programs have been accelerated, resulting in the closure of several sites and the exit from a number of countries that are not strategically aligned or could be serviced through alternate distribution channels.

This year we also sold some of our non-core landholdings, and just this week we announced the sale of the Minova business. We continued to stabilise the recently implemented SAP ERP system, with the integrated platform helping us align our overheads and operating model with the current environment.

Despite challenges in roll-out due to COVID-19 restrictions, we were able to achieve our new technology returns target. Our digital solutions portfolio continues to grow and is now active across more than 200 customer sites globally, as we expand our expertise and capability beyond blasting.

It was a difficult year for our people through a time of significant organisational change as we adapted our business to the current operating environment. However, our people rose

to the challenge, ensuring that the safety of our operations and fulfilling our customers' needs remained our top priorities. We are especially grateful for this commitment and remain focused on creating a diverse workplace where our people are energised and inspired to shape our future together.

### **Refreshed Strategy**

Our refreshed strategy focuses on sustainably driving profitable growth and creating enduring value for our shareholders and other stakeholders.

Our strategy is to deliver solutions and technology that drive productivity for our mining and infrastructure customers across the globe.

It is centred on optimising our operations, delivering smarter solutions, and partnering for progress across our core business; as well as focusing on our four key business verticals – mining; quarrying and construction; digital solutions; and mining chemicals.

Organic growth will be pursued in the four dedicated business verticals. We will continue to optimise our manufacturing and supply chains while maintaining commercial discipline and accelerating the adoption of our innovative technologies that promote productivity for our customers.

In mining, our largest vertical, we aim to grow our presence in future-facing commodities, as the world continues to transition to a low-carbon economy, while increasing the adoption of our premium blasting solutions.

In quarrying and construction, we will deliver focused technology, specific to the needs of our customers, diversifying our portfolio and increasing our presence in high-growth economies, such as Asia.

Our mining chemicals business offering will be expanded in high-growth markets across gold and future-facing commodities, unlocking new opportunities to capture growing demand.

We will also continue the adoption and expansion of our digital products by providing best-in-class solutions and integrated digital workflows, to unlock greater value for customers across all segments and drive growth for Orica.

Our technology program will also include our second-generation fully wireless technology, WebGen™ 200, which entered alpha trials with a commercial product this year. The technology has been engineered for new markets and applications and paves the way for the first stages of blast automation through our world-first Avatel™ technology.

We also unveiled 4D™, our new variable density bulk explosives system, providing a step-change in bulk explosives and value delivery.

With our integrated SAP platform stabilising, we will start to realise the benefits and efficiencies, while managing our cost base and operating model, and continuing to optimise our operations and reduce complexity across manufacturing and supply.

Finally, we will partner with our stakeholders in executing our strategy. Our focus remains on empowering our people and partnering with customers and communities to solve shared challenges and champion for a safer and more sustainable industry.

## **Sustainability**

As Malcolm mentioned earlier, we have worked hard this year to make Orica an even safer and more sustainable organisation. Continuing to focus on delivering our sustainability commitments; particularly, greenhouse gas emissions, diversity and inclusiveness and community investment.

We achieved a 13 per cent reduction in our combined Scope 1 and 2 greenhouse gas emissions from 2019 levels, and we remain on track to achieve our target of at least 40 per cent reduction in Scope 1 and 2 greenhouse gas emissions by 2030.

In October, we completed the installation of tertiary abatement catalyst technology at our Carseland plant in Canada and have announced our Kooragang Island Decarbonisation Project for tertiary abatement in partnership with the New South Wales Government and Clean Energy Finance Corporation.

We have assigned approximately \$45 million over the next 5 years in capital to deploy similar tertiary abatement technology across our Australian ammonium nitrate sites, which could deliver a 750,000 tCO<sub>2</sub>e reduction annually.

As Malcolm mentioned, this year, we also took a significant step in our sustainability journey and established a net zero ambition by 2050. Building on our target to reduce Scope 1 and 2 emissions by at least 40 per cent by 2030, this new ambition includes our most material Scope 3 emission sources and provides a clear roadmap that prioritises the decarbonisation of our operations, development of low-carbon solutions and partnering with our stakeholders to move towards net zero emissions by 2050.

We are also supporting the construction of a mobile demonstration plant of carbon capture, utilisation, and storage (CCUS) technology at our Kooragang Island manufacturing facility, led by Mineral Carbonation International (MCI), in partnership with the Federal Government and the University of Newcastle.

We are a company with a long history of technical innovation which is already helping our customers improve mine site safety, productivity, and efficiency. We will continue to develop and deploy low-emissions technologies to our major manufacturing sites and work with our global suppliers and stakeholders to reduce the footprint of our supply chain.

COVID-19 has also had an impact on the communities in which we operate. In response, we have continued community initiatives and investments, directing our support to where it is needed most. We've launched the Orica Impact Fund, targeting investment to communities most impacted by COVID-19, essential to our operations or with a focus on science, technology, engineering and maths (STEM), driving long-term benefits and positive social and environmental impacts.

With regard to our diversity and inclusion targets, we saw a slight drop in the percentage of women in senior leadership positions as we restructured the organisation, but we remain committed to our 2024 target of 35 per cent women in senior leadership and have programs in place that support achieving this target.

## **Outlook**

Moving now to the outlook.

The fundamentals of our business remain strong. By controlling what we can, optimising our operations and supply chain, and embedding our refreshed strategy and growth drivers, we will seize opportunities as the market stabilises.

The 2022 financial year EBIT from continuing operations is anticipated to increase from the 2021 financial year, with a much stronger first half than the prior year as we see continued strong momentum from the last quarter.

Global commodity growth in copper and gold and in the quarrying and construction market is anticipated to continue and we are seeing some tightening in the explosives market. Whilst we are seeing inflationary pressures throughout the business this is effectively being managed through the rise and fall pricing structures as well as the execution of pricing increases in our contracts.

Earnings are expected to be weighted towards the second half, partly owing to planned manufacturing plant turnaround activity and seasonal effects in the first half. Our focus on pricing discipline and cost efficiency is expected to mitigate rising input costs.

Our refreshed strategy and executive leadership team have Orica well positioned to improve our return on net assets and deliver value for our customers and shareholders via our four business verticals and through a simpler and more efficient organisation.

### **Conclusion**

While it has been a challenging year, with ongoing COVID-19 disruptions, geopolitical issues, and other external and internal factors impacting our results, our people have risen to tackle each and every challenge and shown commitment and resilience towards each other, our customers, and our communities - I am very proud of our Team!

With our new executive team in place, an improving business environment in our core business and future growth potential, we are confident in our ability to continue our recovery and deliver profitable growth and stakeholder returns.

Finally, thank you to our shareholders, for your continued support and investment in Orica.

*The Chairman then moved to the formal items of business.*

End.

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