



INDUSTRY ASSOCIATION REVIEW 2023

Introduction

This document summarises the findings of Orica's industry association review, focusing on climate alignment. A key objective is to provide stakeholders greater transparency in climate-related lobbying undertaken by the Company and relevant industry associations of which we are a member.

Orica provides detail about our positions on climate change and direct advocacy to shape effective global climate policy. The outcomes of our industry association review are also presented. In preparing this review reference has been made to the Climate Action 100+ (CA100+) Net Zero Company Benchmark and the Global Standard on Responsible Corporate Climate Lobbying.

Orica welcomes stakeholder feedback on the report and look forward to engaging on the work performed to date and its future direction.

Approach to industry associations and advocacy

Orica commits to advocate in a manner that is aligned with our positions on climate change which includes supporting the goals of the Paris Agreement within the industry associations of which we are a member.

Industry association memberships

Membership of industry associations provide a wide range of benefits, value and opportunities. Orica uses industry associations to share good practices, collaborate on issues of importance in our sector and advocate our views on relevant policy development, particularly those relating to health, safety and environment.

Industry also plays an important role in helping formulate effective climate policy frameworks, standards and practice. Orica is a member of a range of industry associations globally, and membership helps us to engage, learn and collaborate on climate action.

When considering whether to join and/or leave an industry association, Orica takes into consideration the scope of issues covered by an industry association and the broader business value of membership as part of decision-making processes.

In countries where Orica does not have a material footprint or direct emissions exposure, industry associations are commonly relied upon to undertake advocacy and public policy development on our behalf.

The value of industry association membership

- Engagement and collaboration opportunities, allowing Orica to understand different views across a broad range of stakeholders.
- Opportunities to share best practice, technical insights and industry experience.
- Engagement opportunities with our customers.
- Opportunities to contribute to policy, regulation, industry codes and standards.
- Fostering partnerships to explore and support action on climate change.
- Education and professional development opportunities for employees.

Consequently, promoting alignment with Orica's climate change positions (including alignment with the Paris Agreement) within the industry associations of which we are a member is a priority.

There can be a wide range of views within the membership of each association and as members, Orica may not always agree with every position or approach. This is especially the case when the association's membership is large and the mandate is broad, covering a wide range of issues.

Orica encourages industry associations to focus advocacy on high level positions where a stronger member consensus exists rather than providing detailed proposals that are not broadly supported by the membership.

Where member consensus cannot be reached, or Orica's interests are too specific, direct advocacy will be employed.

Where misalignment with Orica's climate change positions and that of the Paris Agreement is identified, and where Orica is unable to positively influence an industry association, we will leave. Orica is open to the possibility of resuming the relationship where our positions on climate change re-align in the future.

Orica will continue to engage with key stakeholders in relation to membership of industry associations. Memberships are reviewed periodically taking into account policy alignment and the cost and benefits of membership.

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Direct advocacy by Orica

Orica commits to direct advocacy activities that are aligned with our Climate Change Policy and climate positions including support for the goals of the Paris Agreement.

Direct advocacy provides us with the opportunity to provide detail on the impacts of policy proposals on strategic, financial, and operational issues which may be specific to Orica.

A majority of Orica's direct climate and energy policy advocacy occurs in Australia and Canada. Over 93 per cent of Orica's global Scope 1 and 2 GHG emissions arise from these two countries. Accordingly, the implementation of effective climate and energy policy in these jurisdictions serves to enable Orica's operational decarbonisation and supports the broader goals of the Paris Agreement.

Direct advocacy may also take the form of participation in collaborative working groups, technical forums, and participating in Government Inquiries. For example, in Australia, Orica has participated in co-design working groups with government regulators for the Corporate Emissions Reduction Transparency (CERT) report pilot and proposed Guarantee of Origin Scheme. We provided feedback on the practicality and benefits of the proposed initiatives.

Orica endeavours to make our direct policy submissions publicly available, however there are times when commercially sensitive information is disclosed in order to better support the positions we are taking. This ensures that policy makers have a clear understanding of the business implications of policy proposals. In these instances, our submissions will be commercial-in-confidence.

In FY2023, the majority of Orica's direct climate-related advocacy covered the following material areas:

- **Australian Safeguard Mechanism reforms**

Orica supported the Australian Government's approach to reform the Safeguard Mechanism including the need to remove compliance headroom in the existing policy framework, the proposed decline in baselines, the creation of Safeguard Mechanism Credits, and the tailored support for Emissions Intensive Trade Exposed industries. Orica did not support proposals to retrospectively change contractual terms and limit grandfathering of a regulatory 'deemed surrender' provision, on the grounds it would undermine future investment confidence and unfairly penalise companies such as Orica that are taking real action to reduce emissions.

- **Carbon border adjustment mechanisms**

Orica has a long history of supporting carbon pricing and mechanisms that help maintain the relative competitiveness of industry between trading nations. Orica supported the potential introduction of an Australian carbon border adjustment mechanism this year in policy consultation submissions. We are engaging with other like-minded companies and the Australian Government to discuss how this policy approach will reduce the risk of carbon leakage, where manufacturing is moved offshore to avoid carbon measures in place in Australia.

- **Other climate-related policy areas**

Orica has supported the introduction of mandatory, standardised climate-related financial disclosures by treasury in Australia. We also contributed to the National Reconstruction Fund Taskforce and expressed the view that the \$15 billion fund should not prioritise investment in establishing a hydrogen electrolyser manufacturing industry. Rather, support should be directed to critical projects to install and operationalise electrolysers for the supply of hydrogen and storage infrastructure helping decarbonise and grow downstream industries.

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FY2023 industry association review

Review scope

The scope of the review covered all of Orica's industry association memberships.

A subset of ten key industry associations were identified for assessment and were selected on the basis of the following criteria:

- Operate in geographic regions where we have a significant business presence; and/or
- Provide strong links to our customer base, mining, and infrastructure sectors; and/or
- Actively participate in climate change policy development and debates; and/or
- Orica's membership is considered material; e.g. an annual fee greater than A\$20,000.

Review methodology

The review covered:

- An assessment of Orica's own climate change and energy positions against those of our industry association memberships and their advocacy.
- Any written positions or lobbying activity between July 2021 to August 2022.
- Engagement with internal Orica relationship owners and select industry associations to validate review outcomes between August 2022 and 30 September 2023. A high-level scan of lobbying activity was also performed over this engagement period.
- Access to publicly available information sources such as industry association websites, submissions to government, news articles and social media sites.
- Areas where some qualitative assessment of alignment was required, and these were based on Orica's judgment.
- Consideration of international guidance including the Global Standard on Responsible Climate Lobbying and Climate Action 100+ Net Zero Company Benchmark.

Orica commissioned EY to support the review who undertook an assessment of industry association policy position alignment across Orica's nine climate-related policy and position areas outlined below. Not all position areas are applicable to each material industry association membership.

These positions are described in Orica's [Climate Change Policy](#), as well as more recent positions based on Orica's public policy advocacy:

#	Policy area	Description
1	Paris Aligned	Support the global response to keep global temperature rise to well below 2°C, and to pursue efforts to limit temperature rise to 1.5°C.
2	Net Zero	The path to a net zero emissions economy must represent a 'just transition' and encourage sustainable development for impacted peoples, communities and developing economies.
3	Resilience	We believe transitioning to a low-carbon economy can drive near-term job creation while increasing economic and environmental resilience.
4	Carbon markets and competitiveness	Support for open and transparent international carbon markets. Consideration of emissions-intensive, trade exposed businesses with a priority of maintaining competitiveness between nations and preventing carbon leakage through policies such as carbon-border adjustment mechanisms.
5	Policy	Support globally effective climate policies that reduce emissions in line with the Paris Agreement temperature goals.
6	Energy transition	Managed transition for the energy sector towards low emissions generation, while balancing the needs of energy security, affordability, and emissions reduction.
7	Transition	Commodities, raw materials, and technology are fundamental to achieve a transition to net zero emissions.
8	Transparency	Transparency and disclosure drive individual and collective business performance.
9	Technology	Technology neutrality must be embraced as a core principle of modern climate and energy policy.

A rating system was designed to differentiate whether the industry association supported Orica's policy position, did not support it, or was inconsistent in its position. This assessment also considered the strength of the evidence found.

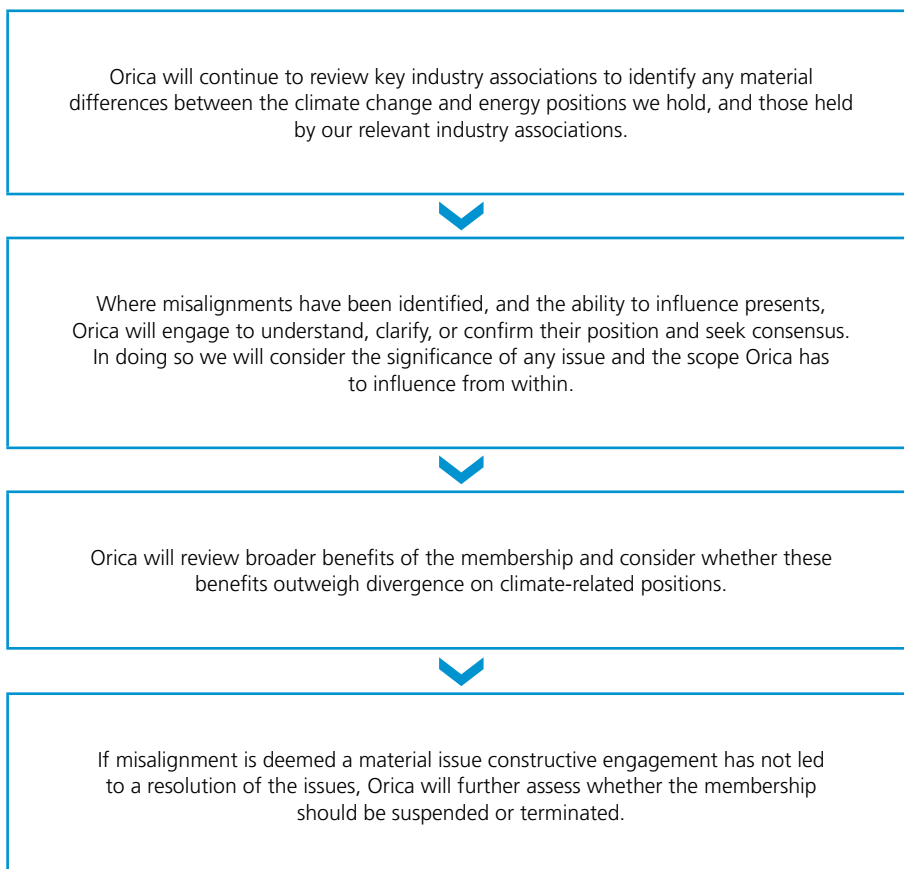
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An overall assessment of each industry association was then undertaken to evaluate overall alignment using four criteria, as described below:

Overall assessment category	Category definition
Aligned	Industry association has policy positions which are broadly aligned with Orica's position. No positions are assessed as being misaligned.
Partially aligned	Greater than half of relevant positions do not fully align with Orica's position. No positions are assessed as being materially misaligned.
Misaligned	Greater than half of policy positions do not fully align, and/or one or more policies are materially different to Orica's position.
Unclear	Industry group does not advocate on climate and energy policy positions and/or little evidence of advocacy.

Misalignments

Where we identify areas of misalignment between our climate change positions and those advocated by our industry associations, we work to understand alternative points of view and seek consensus to move forward. This process of responding to position misalignments is described below:



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Review outcomes



A summary of the alignment outcomes across climate change and energy areas for ten industry associations is provided in Appendix A.

In FY2023, Orica discontinued membership with the Ai Group (Australia) following the outcomes of a cost/benefit assessment. We also concluded membership with the World Coal Association (WCA).

While Orica is concluding our membership with the WCA, our commitment to fostering meaningful partnerships in the coal industry remains. We acknowledge the significant economic transition taking place and the requirement for many communities around the world to access affordable and reliable energy. We continue to service our coal customers, while also seeking opportunities to partner with our customers in their transition to a low-carbon economy.

Governance

Climate change is a material governance and strategic risk which is overseen by the Orica Board. The Board and its standing committees oversee the effectiveness of Orica's sustainability strategies including management of climate change risks and opportunities. Further information on Orica's climate governance is outlined in the [FY2023 Climate Action Report](#).

Orica's approach to industry association participation is governed by our internal Group Standards and Orica's Code of Business Conduct. These governance standards outline business requirements in relation to memberships aligning to business needs, internal approval pathways and associated due diligence, corporate advocacy and political engagement.

Orica's Group Standards articulate the level of authority within the organisation responsible for approving industry association memberships, to ensure that proposed memberships align to Orica's business needs and support business objectives.

Responsibility for approval of industry association memberships within a country resides with the Regional President or Managing Director and CEO.

The Vice President Corporate Affairs has responsibility for maintaining visibility of industry association memberships that are across more than one country to avoid duplication. Each industry association membership has a designated relationship owner who has responsibility for ensuring that industry association engagement aligns with Orica's climate and energy policy positions and that membership benefits are shared across the organisation where relevant.

Attendance at relevant meetings, acceptance of gifts and managing issues of competition law must comply with Orica's Ethics and Compliance Group Standard. This standard also prohibits political donations.

There is a requirement for registers of industry association memberships to be maintained, with the corporate sustainability team responsible for drawing on these registers to maintain a register of industry association memberships relevant to climate change and energy advocacy. This corporate level register will form the basis for ongoing industry association reviews.

Next steps

Recognising that industry associations' views will not always be the same as Orica's, we will periodically review our memberships in individual industry associations. The outcomes of our reviews will be published publicly.

Orica is committed to continuing our engagement with relevant industry associations and working constructively towards aligning our respective positions on climate change.

Orica will engage with our stakeholders on this report to obtain feedback on the work done to date and to inform the future direction.

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Appendix A: Industry association review outcomes

The below table describes the outcomes of Orica's industry association review.

Industry association	Geography	Member	Board member	Fees (AUD)	Involvement
Aligned					
Australian Industry Group	Australia	Corporate Member	No	\$10K–\$50K	Participate in policy workshops Contribute to government submissions Discontinued in 2023
Carbon Market Institute	Australia	Corporate Member	No	<\$10K	Participate in workshops Contribute to government submissions
Chemistry Australia	Australia	Corporate Member	Yes	>\$100K	Participate in strategic projects Contribute to submissions
Energy Users Association of Australia	Australia	Corporate Member	Yes	\$10K–\$50K	Participate in policy workshops Contribute to submissions
Fertilizer Canada	Canada	Associate Member	No	\$50K–\$100K	Participate in strategic projects Participate in Provincial and Federal working group Contribute to submissions
NSW Minerals Council	Australia	Associate Member	No	<\$10K	Participate in strategic projects
Partially aligned					
Minerals Council of Australia	Australia	Associate Member	No	\$10K–\$50K	Participate in strategic projects Limited influence given membership status (associate only)
The Chamber of Minerals and Energy of Western Australia	Australia	Ordinary Member	No	\$10K–\$50K	Participate in strategic projects
Misaligned					
The World Coal Association	International	Corporate Member	No	>\$100K	Discontinued in 2023 Participate in strategic projects
Unclear					
The Fertilizer Institute	USA	Member	No	\$10K–\$50K	Participate in strategic projects

Note: In September 2023 Orica joined the Australian Hydrogen Council as a 'Corporate Member'. This membership was not included in the most recent review.

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Appendix B – Industry collaborations

In addition to industry association memberships, Orica is also involved in industry collaborations which allow us to explore our role in enabling the transition and support the innovation and technology expertise needed to achieve the goals of the Paris agreement.

These partnerships are an important part in helping us improve our response to climate change and further support the action of our customers and industry partners.

The following collaborations were active during FY2023.

Australian Industry Energy Transition Initiative (ETI)

Orica was a founding member of the Australian Industry Energy Transitions Initiative which launched in July 2020. Convened by not-for-profit bodies ClimateWorks Australia and Climate-KIC Australia, this initiative provided members with a collaborative forum to explore market, technology and decarbonisation opportunities with a focus on opportunities across five supply chains – steel, aluminium, liquified natural gas, other metals (lithium, copper and nickel) and chemicals (including explosives and fertiliser). The third and final phase of this initiative, which focused on pathways towards industrial decarbonisation by 2030, ended in late 2022. Orica will continue to leverage the partnerships made as a result of this initiative to enable decarbonisation across industry supply chains.

<https://energytransitionsinitiative.org/>

Australian Climate Leaders Coalition (CLC)

The Australian Climate Leaders Coalition, founded in 2020, is a group of cross-sectoral Australian corporate CEOs supporting the Paris Agreement commitments and looking to accelerate their decarbonisation efforts. As a CLC member, Orica participated in leadership discussions and collaborative projects bringing in the perspective of a hard-to-abate global industrial company. As part of Orica's ongoing review of memberships, the decision was made in 2023 not to review membership of this coalition given that the focus of efforts have changed and are moving into areas unrelated to Orica's core business and operational footprint.

<https://www.climateleaders.org.au/>
