ASX RELEASE

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ORICA LIMITED 2020 ANNUAL GENERAL MEETING

Speeches by Malcolm Broomhead, Chairman and
Alberto Calderon, Managing Director and Chief Executive Officer

Malcolm Broomhead, Chairman

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

First, our performance over the year, then a little about the work we have done this year in relation to governance and sustainability, and then I would like to talk more broadly about productivity – an issue that I believe is of national importance.

Performance

2020 has been a uniquely challenging year, with the COVID-19 pandemic disrupting our operations, and those of our customers, all over the world.

The Board and I have been so proud of how our people around the globe responded. They kept health and safety their highest priority, while upholding their commitment to keeping our operations running safely, and delivering reliably for our customers.

Under these testing circumstances, I am extremely pleased to report that, once again, we had no fatalities this year and that our Serious Injury Case Rate declined by 29 per cent over the year, our lowest level in the past four years.

Before coronavirus struck, we set ourselves an ambitious agenda, and it is testament to our people's resilience and creativity that we have delivered all the key initiatives that were in our control, including:

- the strategic acquisition of Exsa in Peru
- the commencement of operations at the Burrup plant
- the completion of the final phase of SAP, and
- achieving our global technology adoption targets

Alberto will talk in more detail about these initiatives shortly.

Statutory net profit after tax was $168 million, compared to $245 million in 2019 and earnings before interest and tax were $605 million, a decrease of nine per cent from the prior year.

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Given the unprecedented operating environment we found ourselves in, this was a strong performance, and we were able to maintain a dividend, prudently reduced to reflect continuing operating environment uncertainty.

The final ordinary dividend of 16.5 cents per share unfranked - bringing the total dividend to 33 cents per share, down 22 cents - reflects a payout ratio of 45 per cent of underlying earnings.

Underpinning this pleasing operational and financial performance was our strong balance sheet.

This year, we completed both an equity capital raise and a long-term US Private Placement bond issue which have further strengthened our capital structure and increased the average maturity of our debt facilities. The fact that both were oversubscribed reflects the resilience of the business and the market's strong confidence in our capital structure and strategy for growth.

As you know, the company is focused on a high degree of alignment between Executive and Board remuneration and the value delivered to shareholders.

The impact of COVID-19 on the Group's performance, and our excellent safety performance, were considered carefully when determining the award of this year's short-term incentive outcomes.

The final outcome for the CEO was 45.2 per cent of his target opportunity. Outcomes for other Executive Key Management Personnel ranged between 37.6 per cent and 82.6 per cent.

There was partial vesting of Long-Term Incentive awards granted under the 2017 plan, with the performance period ending on 30 September 2019 and tested in November 2019. The Relative Total Shareholder Return metric was achieved at upper quartile vesting, and the average Return on Capital performance was achieved between target and maximum.

It is expected that the decline in earnings due to the impact of COVID-19 will have a detrimental effect on the 2019 and 2020 financial year LTI grants, which are solely based on RONA performance.

The Board will continue to review the appropriateness of the LTI targets within these plans in the context of COVID-19.

We continue to show restraint in fixed remuneration, with our Chief Executive's fixed pay maintained at the same level for the fifth successive year.

Governance & Sustainability

Moving to governance and sustainability.

The Board and I are very aware that the best way to protect and enhance long-term shareholder value is by ensuring we have robust and effective corporate governance.

This year your Board had six key focus areas:

- strategy and business performance,
- organisational performance and culture,
- risk management,

- capital management,
- sustainability, and
- our response to the COVID-19 pandemic.

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

I would like to highlight the tremendous progress we made this year in addressing climate change, which is a material governance and strategic risk for Orica.

During the year, your Board:

- endorsed a revised Climate Change Policy
- considered a range of macroeconomic scenarios that will underpin quantitative scenario analysis to be performed this financial year, and
- considered an update on climate change and long-term manufacturing and decarbonisation opportunities.

And last month, the Board endorsed recommendations from the Safety, Health, Environment, Community and Security Committee to establish new climate change targets, including an ambitious goal of reducing our Scope 1 and Scope 2 operational emissions by at least 40 per cent from 2019 levels by 2030.

To ensure we achieve our new targets, the Board also endorsed the recommendation to strengthen links between climate change and executive remuneration. Decarbonisation measures are now included in our executive remuneration incentive plan.

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.

In October 2019, Lim Chee Onn retired after nine years of service to the Orica Board. We thank Chee Onn for his valuable contribution to the Board and to Orica's shareholders during his tenure.

You may remember that at last year's AGM I announced that John Beevers would be joining the Board, which he did so in February. John knows our business intimately, having worked for Orica for 27 years, and as CEO of GroundProbe in the five and a half years before we acquired it. John is already proving a very valuable addition to our company's leadership.

<u>Global Perspective</u>

I would now like to speak for a few minutes on our country's economic recovery and the central role that I believe productivity must play.

Looking at the year ahead, I see three key sources of optimism for us to rally around –

The first is a promise of a vaccine. Both Britain and America have begun administering vaccinations, which will hopefully reach our shores early next year. Assuming it is as effective as the trials suggest, and enough people agree to be vaccinated, this will mark the beginning of the end of the pandemic.

The second is the incoming Biden administration in the United States. I hope that this will act as a circuit breaker, and lead to a rebalancing of international relations, particularly with China, that Australia can then leverage.

And the third is the opportunity that stimulus packages around the world present to kick start the global economy.

Governments now have the political licence to spend unprecedented allocations of public funding and can take advantage of low interest rates.

But, if we are to go into such levels of debt, we must not squander the opportunity. We urge Governments to focus on initiatives that will deliver both medium and long-term returns in higher standards of living, and sustainable growth.

An obvious example is major infrastructure projects that will enable companies to get their goods to market quicker, and that ease congestion so that workers spend less time commuting.

At the same time that Federal and State Governments continue to invest public money sensibly, it will also be helpful to deliver both policy certainty on the fundamentals and regulatory reform that together will drive business confidence and boost multifactor productivity.

This is critical because, as the Productivity Commission's latest report notes, almost all of Australia's long-term increases in income have been due to labour productivity growth, and that while terms of trade or labour utilisation can make a difference, it is ultimately productivity growth that will determine our future living standards.

In terms of policy certainty, energy is the most obvious area as it impacts so much of what we do and what we will be able to do.

On this front I commend the Government for recognising the critical role that gas will play in both Australia's post-COVID recovery and as a firming technology that will support investment in, and adoption of, new technology in the decarbonisation of our society.

This is a good example of long-term vision that will both provide certainty for domestic manufacturing and provide the platform for climate resilient economic growth.

Orica is ready to step up on this front. We see great opportunity in the world's move to a low carbon economy; not just in playing our part to help achieve global goals, but also in transforming our own operations and driving long term sustainability.

As I mentioned earlier, we have committed to a 40 per cent reduction in our Scope 1 and 2 operational emissions within this decade – a market leading position.

Alongside ongoing industrial relations reform, we need significant regulatory reform in areas such as corporate taxation and research and development. Together with prudent deregulation, this will encourage capital deepening, and the investment in innovation, that will drive productivity.

As Alberto noted in a recent editorial in the Australian Financial Review, private investment over GDP is at its lowest point in 60 years. This has to be addressed.

Again, Orica is ready to step up. We are willing and able to play our part, and our history demonstrates how our enduring commitment to innovation and technology has led to substantial improvements in mining productivity over many decades.

Today, our products such as WebGen, Blast IQ and FRAGTrack are helping our customers find new ways of working that deliver significant increases in both productivity and safety.

The investment we have made in digitising data and workflows is now enabling us to automate workflows, further radically improving reliability, timeliness and cost.

To its credit, the current Federal Government is trying. It reduced the tax rate for small and medium sized businesses, expanded its instant asset write-off initiative and launched a new Modern Manufacturing Strategy.

I hope that this will go some way towards reversing the way we have deconstructed manufacturing over the past few decades.

We have become regional powerhouses when it comes to tourism, education and mineral exports, but we are not competitive when it comes to niche manufacturing – we need to find a way to reignite it, particularly in our trade relationship with China.

Underpinning all of this, we need a healthy and skilled workforce. So, we also need the Government to invest in education, training and national health, including mental health – an important topic that has come to the forefront during COVID-19.

When you put it all together, it is a significant challenge. But we have a rare opportunity for Government and business to come together, to develop and drive the significant reform that will provide the platform for the productivity growth that will raise the standards of living for our children and grandchildren.

My wish is that COVID-19 is a once-in-a-lifetime event. It has been a deeply challenging and distressing period for countless millions around the world. We owe it to ourselves to recover as quickly, and as strongly, as we possibly can and take the chance to set ourselves up for a new era of health and prosperity.

Conclusion

Before I invite Alberto to the stage to talk about our financial and operational performance in more detail, I would like to sincerely thank, on behalf of the entire Board, the men and women of Orica for their remarkable achievements this year.

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From our employees in manufacturing facilities and on partner sites, to our support staff and executive team, each have gone above and beyond the call of duty to ensure our operations run safely and that we continue to deliver reliably for our customers.

I also thank you, our shareholders, for your ongoing support through these times.

The Board and I are confident that Orica's underlying business and growth trajectory remain positive, and we look forward to the return of business as usual so we can continue to deliver even more long-term sustainable value in the years ahead.

I now welcome your Managing Director and Chief Executive Officer, Alberto Calderon, to address you.

Alberto Calderon, Managing Director and Chief Executive Officer

Thank you, Chairman and thank you to our shareholders for joining us today after an extraordinary year. A year in which all our lives and livelihoods were turned upside down. I hope that you all are keeping safe and well.

This morning I will talk about our performance over the past year, including the effect COVID had on our business, and the outlook for the year ahead.

Safety

Throughout the pandemic, as always, health and safety remained our number one priority. I am pleased to report that, once again, we had no fatalities, and our Serious Injury Case rate declined by 29per cent to our lowest level in four years.

Conscious of the stress and concern caused by the pandemic, we also provided online support seminars and programs for our people, and increased communication to teams working remotely to ensure they felt connected.

Performance

Operationally, the 2020 financial year was a year of two very different halves.

In the first half we were very successfully building upon the strategic momentum we developed in the 2019 financial year and delivered a first half result in line with our expectations.

We believed that we were on track to maintain that growth in the second half and then COVID hit, temporarily disrupting that momentum.

However, despite the challenges of the pandemic, I am very pleased to say that we delivered all the major initiatives and key strategic milestones that we set ourselves for the year.

We successfully completed the acquisition of Exsa in Peru, bringing with it strategic growth, greater commodity diversification and a reduction in our exposure to thermal coal. The integration of Exsa into our Latin American business is progressing well and we remain on track to deliver the synergies identified at the time of the acquisition in February this year.

Burrup commenced operations in May and is producing good quality ammonium nitrate.

In July, we rolled out the final phase of our SAP project - a historic, game-changing milestone for Orica.

We now have a cloud-based, standardised and integrated single enterprise system supporting the entire organisation.

We have moved from literally thousands of spreadsheets and process variations to one standard set of integrated and optimised end to end processes.

This enables real-time data-driven insights based on a single source of truth.

Now this is in place, we can begin realising the myriad benefits from improved agility, product security, customer outcomes and global competitiveness.

Technology continues to be a cornerstone of Orica's differentiated offering, and I'm pleased to report that, despite COVID restrictions, we achieved our global adoption targets.

This could not have been done without the great ingenuity our teams showed in using augmented reality to enable remote installation, training and support.

It is this commitment to delivering for our customers that saw our Net Promotor Score increase by 21 percent over the year.

Our traditional technologies such as electronic blasting systems and premium bulk emulsions continue to show strong growth profiles and hold market leading positions.

But we are most excited by the continued growth in adoption and market penetration of our game changing suite of new technologies.

The number of sites using BlastIQ increased threefold over the prior year with several global customers adopting multi-site application. And Fragtrack, our award-winning fragmentation measurement technology, expanded sevenfold.

We have now completed over 1000 blasts of Webgen, our proprietary, fully wireless, initiating system, and volumes more than doubled during the year despite COVID.

Importantly, trial sites in both Underground and Open Cut have increased significantly in advance of the release of our second generation Webgen 200 which is currently in alpha trials.

Overall, we expect a 15 per cent return on investment for these technologies in the coming year, with significant growth projected in future years as we achieve critical mass in our portfolio.

The importance of our technology solutions was underlined recently when we won the five-year explosives technology and services contract for Glencore's Australian copper and zinc operations.

The agreement hinged on two key elements:

First, our ability to deeply collaborate with Glencore at all levels to identify and prove how our technology can solve their most complex operational needs at each site;

And second, Glencore's confidence in our future technology roadmap and its close alignment with their vision for how technology can deliver additional value to their operations.

We were extremely proud to win the contract and the show of support it represents for our innovation.

Our strong operational performance across the year has been underpinned by our balance sheet, which we further strengthened this year through a very timely capital raising and US private placement, both of which were oversubscribed.

Volumes in the first half were up four per cent, in line with our expectations. However, as COVID took a hold in the second half, they reduced and we ended up four per cent down across the year, excluding Exsa.

In addition, increased supply chain costs due to COVID-19 continued into the second half, impacting our earnings. To counteract these headwinds, we implemented several cost-reduction measures, enabling us to offset around 40 per cent of the impact.

In the end we delivered underlying EBIT of $605 million - a strong result against the COVID-19 backdrop, demonstrating the resilience of our business.

Gearing at 36.4 per cent, excluding the effect of the new lease accounting standard, is comfortably within our target range of 30 to 40 per cent.

Our strong earnings result, and confidence in the future, has enabled us to maintain a dividend, prudently reduced to reflect continuing operating environment uncertainty.

Sustainability

We have also worked hard this year to make Orica an even safer and more responsible company. As Malcolm mentioned earlier, we had zero fatalities and our Serious Injury Case Rate declined by 29 per cent. I'm also proud to report that we have no significant environmental incidents this year.

I'd like to highlight that our acquisition of Exsa, with its exposure to copper and gold, along with Orica's continuing diversification strategy, has reduced our coal exposure to 16 per cent from 17 per cent last year, and we expect this to drop by a further 1 per cent in the medium term.

This is a substantial reduction from 22 per cent in 2015.

We made good progress to reduce our impact on the environment, in particular reducing our operational Scope 1 and Scope 2 emissions by nine per cent.

As mentioned by our Chairman earlier, we announced a new industry-leading target to reduce these emissions by at least 40 per cent by 2030.

It is very important to note that this is not an aspirational goal. It is an evidence-based, credible and achievable target.

It has been gratifying to see the very positive response to this announcement. The Climate Council's chief executive Amanda McKenzie commended us, noting our leadership in this space.

Outlook

Moving now to the outlook.

While COVID means the year ahead cannot be predicted with any great certainty, the impacts are temporary, and we are in the best possible position to navigate through the coming financial year.

The solid operational platform that we built pre-COVID positions us well to deliver earnings growth. Our balance sheet remains healthy, and we have the flexibility to pursue value creating outcomes for you, our shareholders.

We are beginning to see some of our customers' operations in developed countries returning to pre-COVID levels and this is evident in the run rate of volumes over the past two months. Hopefully, we will see the global roll-out of a vaccine before too long, and more and more countries will begin to normalise.

We are very concerned that all Australian exports of thermal and metallurgical coal to China are currently stopped. We hope that the Government can quickly re-establish constructive dialogue, build understanding of the issues on both sides and begin the process of normalising relations.

Our focus will remain on delivering on what we can control, and continuing to make Orica a leaner, more efficient company.

We have five key drivers:

- The first is the full integration of Exsa and the realisation of the synergy benefits;
- The second is our program to rationalise our product portfolio and optimise our initiating system plant network;
- The third is improving manufacturing reliability and efficiencies. Our aims are to maintain Overall Equipment Effectiveness above 80 per cent, increase our cyanide production and realise the benefits of Burrup commencing production;
- The fourth is embedding our refreshed operating model across the business, which is possible following the completion of the SAP rollout; and
- The fifth is continuing to drive customer adoption of our world-class technology portfolio, while investing and innovating to extend our market-leading position.

Putting all this together, we expect to see a return to EBIT growth in the 2021 financial year, weighted towards the second half.

Conclusion

In summary, 2020 has been an extremely difficult year, but I could not have been prouder of the way our people responded with resilience and unwavering commitment. In particular, I want to thank our workers on the frontline in our plants and operations around the world, who kept going to work every day in the most challenging of circumstances. The spirit of Orica has shone brightly this year.

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Looking ahead, we have established a solid platform to support underlying growth and we remain cautiously optimistic that we will recover the majority of the COVID impact over the next 18 to 24 months.

I would also like to thank you, our investors and shareholders, for your continued support throughout this uniquely challenging period.

The Chairman then moved to the formal items of business.

End.

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ABOUT ORICA

Orica (ASX: ORI) is the world's largest provider of commercial explosives and innovative blasting systems to the mining, quarrying, oil and gas and construction markets, a leading supplier of sodium cyanide for gold extraction, and a specialist provider of ground support services in mining and tunnelling.
For more information about Orica, visit: www.orica.com