



A tough year for Orica

Company/ASX Code	Orica/ORI
AGM date	Thursday, 16 December 2021
Time and location	10.30 am AEDST, online only: https://meetings.linkgroup.com/ORI21
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Adam Raymond assisted by Belinda White
Pre AGM Meeting?	Yes with Chair Malcolm Broomhead and Maxine Brenner

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Financial performance

Item 1	FINANCIAL STATEMENTS AND RESULTS
ASA Vote	No vote required

Summary of ASA Position

The financial performance of Orica over the past two years has been poor. The negative revision of the past year's accounts and significant exceptional items have combined with a drop in NPAT, but before exceptional items. Earnings per share are significantly negative.

This has happened during a tough time for industry globally, most significantly around supply chain problems, problems that are forecast to last through much of the next year. Orica are trying to count for this by placing as much stock at customer sites as possible to allow for potential long lead times.

The purchase of Exsa in the previous financial year has contributed positively to the bottom line. This, along with growing high tech detonation systems, are two bright points against struggling Ammonium Nitrate (AN) volumes, Orica's core business.

At this point debt ratio's are still solid, but that has come at the cost of reduced dividends this year and last.

The sustainability report shows solid progress, with a focus on reduction of Nitrous Oxide (N₂O) emissions from their nitric acid plant in Queensland. If successful, this will provide a template for the other 3 locations where N₂O is produced. This should be a major contributor to reaching the 2030 goal of 40% reduction for Scope 1 and 2 emissions.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	(173.8)	82.3 (Revised)	245.1 (Revised)	(48.1)	386.2
UPAT (\$m)	208.4	299.1 (Revised)	371.9 (Revised)	324.2	386.2
Share price (\$)	\$13.79	\$15.43	\$22.54	\$17.03	\$19.77
Dividend (cents)	24.0	33.0	55.0	51.5	51.5
Simple TSR (%)	(9%)	(30%)	36%	(11%)	
EPS (cents)	(42.7)	20.8	64.5	(12.7)	102.7
CEO total remuneration, actual (\$m)	1.4	6.2	4.7	2.8	4.7

For 2021, the CEO's total actual remuneration was **14.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Note - For May 2021, the Full-time adult average weekly total earnings (annualised, original) was \$93,444 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

Item 2	Re-election of Denise Gibson as a Director
ASA Vote	For

Summary of ASA Position

Technology will be key to Orica's survival of major changes that will inevitably occur as the world tries to rise to the challenge of a carbon free future. Ms. Gibson has a firm background in the building and development of technology supply chains, which the rest of the board has acknowledged by placing her as the Chairman of the Innovation & Technology Committee. As shareholders we will rely on her to provide the oversight of Orica's efforts to remain in front of its competitors in the provision of technological solutions for their customers. The ASA supports Ms Gibson's re-election.

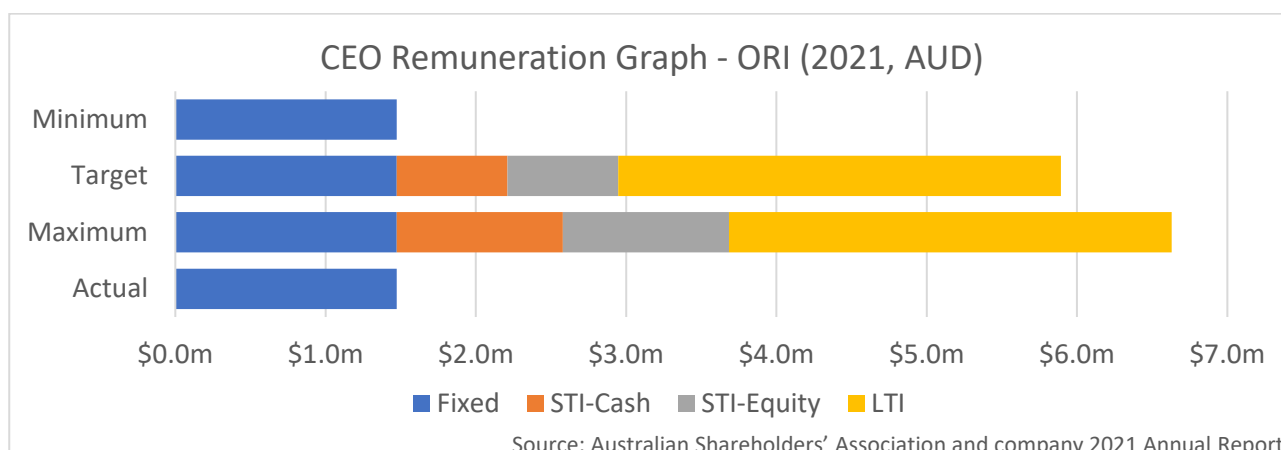
Item 3	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

There have been a number of changes from last year that are worth noting:

1. The base pay of the new CEO has been reduced in comparison to his predecessor. This is appropriate as he now runs a smaller company.
2. Despite this, the overall fixed payment of key personnel has remained flat from last financial year.
3. The introduction of a new Short Term Incentive (STI) – Loss of Containment. This marks the first environmental STI (or Long Term Incentive/LTI) used by Orica.
4. There has been a review that will result in future changes next financial year.
5. The board has exercised their discretion to reduce all STI bonus' to zero.

However, despite these changes and some winding back this year (due to shareholder concerns) of the LTI from 215% to 200%, the package in total is too generous for a company of this size and complexity. The total target if both STI and LTI are granted in full amounts to \$6.6m, where similar market capitalised companies would offer around \$4m. This is entirely because both the maximum STI and LTI components have very high multiples of the fixed pay, namely 150% for the STI and 200% for the LTI, compared with 75% and 50% for their peers. The total LTI +STI in peer companies is between 100 and 120% rather than the 350% in this structure. Whilst we appreciate the CEO has foregone an STI and LTI in recent times, the solution is not to double down on variable pay to compensate.



Item 4	Approval of LTI grant to Managing Director Mr Sanjeev Gandhi
ASA Vote	Against

Summary of ASA Position

As explained above, the variable components are well above their peer companies, so we will not support this resolution.

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