Sustainability Report 2007

Managing Director's message

Orica has achieved success by pursuing growth and productivity built around a strong culture of key principles. We know this success is dependent upon effective and positive relationship with our employees, customers, shareholders and the communities within which we operate. One of our key principles is to value people and the environment and ensure that we cause no injuries to anyone, ever. Our continued growth will be dependent upon meeting that commitment – in essence, a commitment to sustainability.

The concept of sustainability has challenged companies, governments and organisations – including Orica – in Australia and overseas for decades. Believing in a commitment to sustainability is a mere first step – taking action to embed that commitment into our decision making and business planning is he real test. At Orica, we have the added challenge of operating in more than 50 countries across a diverse range of businesses but every person at Orica is entrusted to meet the test we have set ourselves. Orica's aim is to be the world's best in Safety, Health and Environmental (SH&E) performance consistent with our commitment to Deliver The Promise in everything we do.

The drive towards sustainability encompasses an uncompromising commitment to safety captured in our vision of: No Injuries to Anyone Ever. While there have been successes in many areas, there have also been times when we have fallen short of our ultimate goal. Our All Worker Recordable Case Rate (the standard international measure) has been improving and compares very favourably amongst our peers. However, we continue to have workplace incidents and, even more distressing, fatalities. This year, we lost a colleague in a workplace incident in Chile. In Mexico, Orica product being carried by a third-party contractor on a public highway was involved in an explosion and 28 people were killed. We are providing every assistance to the authorities in their investigation to apply any learnings that could make transportation of our product safer throughout the world. Our sympathies go to the families and colleagues of people affected by these tragic incidents.

Orica has made considerable progress in all aspects of SH&E since the inception of the Challenge Program in 1990. This program involves setting five year targets in SH&E aimed at ultimately at eliminating all work related injuries and illnesses, environmental incidents and sources of complaints from our neighbouring communities.

However, sustainability demands that we now move beyond these targets and develop new products and businesses that address the emerging challenges. Orica's vision is: No harm to people or the environment. It is a simple but significant aspiration and needs everyone within Orica to work together in transitioning to:

- carbon-neutral;
- water-neutral;
- zero-waste; and
- environmentally friendly operations, products and services

...in a commercially responsible way.

Orica's two biggest sustainability challenges are climate change and water scarcity. We have a responsibility to address the risks of climate change and are working with our customers and suppliers to reduce our collective greenhouse gas emissions. Orica's goal of becoming carbon neutral is a strong signal that 'business as usual' is unacceptable. We have already made a contribution by becoming a member of the Australian Federal Government's Greenhouse Challenge program and by reducing energy usage and carbon emissions per tonne of product over the past decade. However, over the past year this trend has been in reverse, because of increasing demand for our most energy intensive products. The biggest contribution to reducing greenhouse gas emissions will now come from the introduction of new technology to reduce emissions of the greenhouse gas nitrous oxide at our ammonium nitrate plants. Orica has joined 2,400 of the world's largest companies in the Carbon Disclosure Project, an independent not-for-profit organisation uniting companies and shareholders in creating a rational response to climate change.

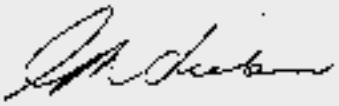
Orica is also a significant user of water. A key target for all Orica's operations around the world, particularly our major manufacturing sites, is to reduce water consumption. Orica's Port Kembla plant in New South Wales, Australia is an example of the success we are having in this area. The majority of the wastewater produced on site is now being treated and re-used saving more than eighty percent of the site's current water consumption.

Our commitment to sustainability also demands innovative solutions to achieve zero net waste from our offices and operations combined with the development of more environmentally friendly products and services which meet expectations of our customers. A good example of such a product is a low-solvent paint called EnvirO_2™, created by Orica Consumer Products (OCP). OCP and its partners won a prestigious Banksia Environmental Award for a paint recycling program – one of many awards for environmental innovation that we achieved during the year.

Sustainability also requires a commitment to social responsibility and to meeting the expectations of communities around our operations and the broader communities in which we exist. As climate change and water scarcity are environmental challenges, AIDS is an immense health and social problem particularly in developing countries. In Africa and Papua New Guinea, Orica is working with local communities to provide health education programs and other practical solutions aimed at prevention. In a broader social context Orica has a company policy of non-involvement in the manufacture of weapons.

Orica's success comes from the high quality of our people at every level. The Deliver The Promise high-performance culture empowers our people to contribute collectively and individually to Orica's drive to sustainability.

Along with all Orica employees I welcome the contribution of our other key stakeholders – communities, customers and shareholders – in joining with us and assisting in the achievement of these goals.



Graeme Liebelt
Managing Director
Orica Limited

Orica – who we are

We've been known as Orica for a decade yet we can lay claim to more than a century of expertise, superior service and innovative product development in our chosen fields.

Our commitment to leadership, innovation, quality and safety has seen us grow into a global Australian-based company with more than 14,000 people operating in around 50 countries and servicing customers in twice that number.

Orica is a multibillion dollar organisation, currently ranked in the top 40 companies listed on the Australian Stock Exchange based on market capitalisation.

We take pride in our ability to turn science into the solutions that satisfy basic human needs, and in our delivery of products, brands and services that can be trusted for their reliability, range and quality. Whilst end consumers are often unaware of it, Orica's role is critical in producing many of the things that people take for granted in their everyday lives.

At Orica, we aim to conduct our business in a sustainable manner. Meeting our environmental, social and community obligations is important – not only to us, but also to our customers and the community.

KEY OPERATION AREAS AND MARKETS SERVED

Orica Mining Services (OMS) offers commercial explosives, initiating systems and Blast Based Services to the mining, quarrying and construction industries. The business is run globally with a presence in Australia, Asia, Europe, the former Soviet Union, Africa, the Middle East, North America and Latin America.

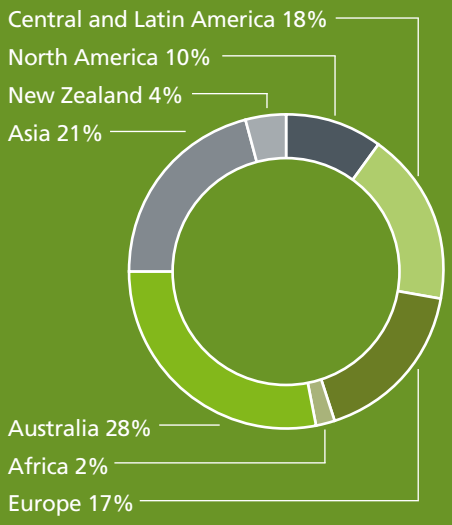
The **Minova** business specialises in delivering chemical-based consumables, associated equipment and services for ground consolidation, ventilation and water control to the underground mining, tunnelling and civil engineering markets. Minova operates sites in Australia, the Czech Republic, United Kingdom, Germany, India, South Africa, Poland, Russia, the USA, China, Kazakhstan, Sweden, Switzerland and Spain. The recent acquisition of **Excel Mining Systems** is highly complementary and will expand the breadth of the business' customer offerings.

Orica's Consumer Products (OCP) business is Australia and New Zealand's leader in decorative, preparation, and lawn and garden care products. The iconic brands manufactured and marketed by the business include Dulux, Berger, British Paints, Levene, Walpamur, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly, Turtle Wax, Yates, Thrive, Zero and Dynamic Lifter in Australia and New Zealand. An extensive range of powder coatings is manufactured and marketed in Australia, New Zealand and the Asia-Pacific region.

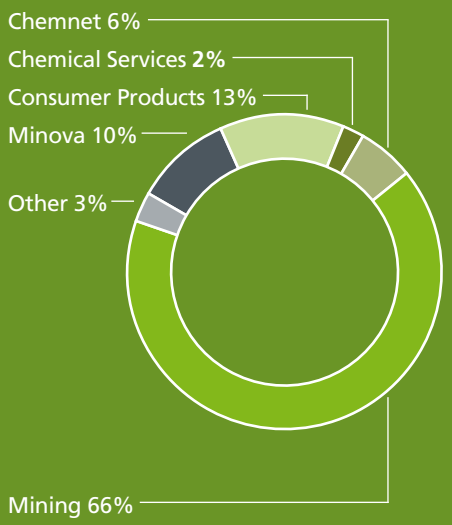
Chemnet is Australasia's largest chemical distributor, supplying a broad range of chemicals to almost every industry group. The business is based in Australia and operates in New Zealand, China, Hong Kong, Fiji, Indonesia, Thailand, Malaysia, Singapore, Peru and Chile.

Chemical Services is a major supplier of chemicals, services and technologies to the water treatment, mining chemical and industrial chemical markets. The business is based in Australia and has operations in the United States and the United Kingdom. Chemical Services operates three separate business units: Watercare, Mining Chemicals and Industrial Chemicals.

Employees by Region



Employees by Business Group



Orica Giving Program

In 2004 Orica established a corporate giving program known as the Community Foundation, to distribute funds to charitable organisations. The Foundation supports a targeted number of organisations in order to maximise the impact of the Foundation's contribution to the community.

In 2007, three major organisations were supported: Habitat for Humanity (Habitat for Humanity's vision is to build decent, affordable houses in partnership with those in need of adequate shelter); Landcare Australia (Landcare projects address issues such as salinity, soil erosion, weed control and improving water quality and efficiency); and the OzGREEN program (OzGREEN is dedicated to addressing critical water issues by enabling informed and active community participation in the care of the world's waters and the building of a life-sustaining society). Orica employees in Australia also make an important contribution to community organisations through the 'Dare to Share' workplace giving program. Charities benefiting from the program are The Salvation Army, Landcare Australia, Open Family Australia, Alzheimers Australia, the RSPCA, Starlight Children's Foundation Australia, MS Australia, Surf Life Saving Australia, The Inspire Foundation and Camp Quality. Orica matches employee contributions up to a value of $120,000.

Orica employee Fay Thompson raised enough money to buy 16 bicycles for Cambodian school children which, in many cases, will be the difference between their continued access to education or being forced to abandon it. All the money raised was donated directly to a program which buys bicycles for Cambodian children who meet one or more of the following criteria: are orphans, are from single-parent families, are in grade five or six, are at a secondary school located too far from their home to walk to school, or are enduring severe poverty. The bicycle donation program is part of the United Nations World Food Program which relies entirely on donations and volunteers. The bikes were presented to the children at a ceremony with representatives from the UN World Food Program and the Provincial Education Department of Cambodia.

Industry partners in the Paintback™ program including – Simon Vandestadt, Rod Vockler and Christine Cussen from Orica – receiving the Banksia Environment Award for Eco-Innovation.

Management Systems and Governance

Orica's key sustainability principles and practices are overseen and monitored by the Orica Limited Board and a range of management systems. These are in place to ensure commitment to Orica's strict business ethics which are implemented in accordance with the highest standards of corporate governance.

GOVERNANCE

Orica does not make political donations.

Orica has no direct involvement in the defence industry and has a policy of not selling materials for military purposes.

Orica's directors and management are committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. We believe that good corporate governance practices protect and enhance long-term shareholder value.

Our governance policies and procedures comply in all substantial respects with the Australian Stock Exchange's Corporate Governance Principles and Recommendations, August 2007. We will continue to review evolving standards and, where necessary, improve our governance practices to meet the expectations of our stakeholders.

Orica is committed to complying with all laws and practices affecting our business. All our employees are expected to act with honesty and integrity in everything they do. Unfortunately sometimes people behave unethically. To assist in the reporting of unethical or fraudulent behaviour, an Integrity Hotline has been established. The hotline is a confidential reporting mechanism.

All fraud related matters are investigated by the group security manager in accordance with Orica's Fraud Policy whilst other matters are referred to an internal review panel for assessment.

As a member of the Australian Plastics and Chemicals Industry Association (PACIA) Orica subscribes to the industry's Responsible Care® program which is aimed at improving safety, health and environmental performance and communicating openly with all sectors of the community. Orica has also worked closely with PACIA to help draft the Plastic and Chemical Industry Discussion Paper: Sustainability Leadership Framework for Industry.

In addition to the established SH&E leadership program, Orica's Sustainability Team continued to develop the format of a one-day Sustainability Workshop, presenting to employees from as far away as China and Chile who attended the Melbourne workshop in May, and separately to employees on the Gracefield, Laverton, Botany and Yarwun sites during the year. The workshop covers background to sustainability issues relevant to Orica, Orica's sustainability strategy, priorities, case studies and concludes with an opportunity identification exercise for each site. Feedback from the sessions has been very positive.

CASE STUDY

In July Orica's explosives manufacturing facility in Limay, the Philippines, became the first Orica site in the Australia-Asia region to achieve ISO 14001 environmental certification. The Limay site achieved this by establishing programs including:

- Effluent management program in the booster plant and canteen
- Waste management program for hazardous and non-hazardous waste
- Resource conservation program
- Ozone-depleting substance elimination program
- Radioactive material elimination program
- Lead contamination reduction program

The site has also reduced its burning of non-explosive waste by 70 per cent in the first six months of implementation.

Awards and Recognition

Orica's ongoing commitment to sustainability has not gone unnoticed by the wider community. This year Orica has received a number of major awards, in recognition of the business' leadership in the field. This year's awards include:

- In February, the team at Orica Mining Services' Kalimantan site in Indonesia received a national award for their record of zero accidents at the site after more than 1.5 million working hours. The award was presented by Indonesian President, Susilo Bambang Yudhoyono and Indonesian Minister for Manpower Erman Suparno to Orica's Jhony Franky (Operations Superintendent, Indonesia) at an awards ceremony for the best-performing companies in Indonesia.
- At a special ceremony on July 9, the Orica Mining Services team in Chile was recognised for its outstanding results in worker safety. The team was awarded the Annual Safety Award from SERNAGEOMIN (National Service of Geology and Mining), the body that oversees the mining industry in Chile, by the Chilean Minister for Mining Karen Poniachik.
- In July, The Banksia Environmental Foundation announced that Dulux Australia was a winner at the prestigious annual Banksia Awards. Dulux, along with its associated partners, were awarded the Eco-Innovation Banksia Award for the Paintback™ program. Paintback™ was also a finalist in the People's Choice category. Paintback™, a free recycling service for unwanted paint and paint packaging, has been operated by a partnership between Dulux, Bunnings, Sustainability Victoria, Chemsal and Bluescope Steel since 2004. Over the last 15 months, more than 200 tonnes of paint and packaging have been collected, and 15,000 litres of paint have been returned to the manufacturing process. The project has resulted in 85 less tonnes of CO_2 being emitted into the atmosphere.
- In September this year, the team at Dulux in New Zealand was honoured with two prestigious awards at the Regional Sustainable Business Awards held in Wellington. Dulux won both the Trailblazer Award in the large business category and the overall Sustainable Business of the Year Award. The awards are contested by participants ranging from not-for-profit organizations and small businesses to large corporations. The rigorous assessment process measured a business's commitment to key sustainability goals across a wide range of indicators including energy, waste, employee commitment and participation and social responsibility.
- Globally, Orica has also received several awards since the last reporting period. These include: Orica Powder Coatings in New Zealand being awarded gold certification in the Enviro-Mark® New Zealand program; Orica Mining Services Indian Explosives Ltd receiving the prestigious National Safety Award from the Ministry of Labour and Employment (Government of India) for the Lowest Accident Frequency Rate for the year 2005; and Orica Chemicals Chile gaining certification to the Responsible Care® program and also being presented with a major Responsible Care® Award, recognising Orica as the most improved company within the association.

Orica's Approach to Sustainability

It is clear that to be successful in the future Orica must continue to grow and do so in a more sustainable manner. This will require continued focus on the efficient use of our own assets and working with our suppliers and customers to identify new, economically viable and sustainable business opportunities that reduce environmental impacts.

Orica consistently aspires to the highest standards of health, safety and environmental performance. We have built on a strong base of successive years of reduced work related injuries, incidents and improved efficiency in energy, emissions, waste and water use. Our performance is well regarded in the communities in which we operate and among industry peers, but Orica is aware that some of our activities have resulted in serious injuries and fatalities and some past practices have become unacceptable and left the business with significant remediation costs and reputational damage.

BUSINESS PURPOSE

Orica seeks to be among the best performers internationally in safety, health and environment (SH&E) consistent with the Company's aim to Deliver The Promise in all aspects of its activities. Orica's aspiration is to become a business that causes no injuries to anyone ever and does no harm to people and the environment.

DELIVER THE PROMISE PRINCIPLES

Since early 2000 Orica's Deliver The Promise (DTP) principles have emphasised the need for commercial ownership, creative customer solutions, working together and valuing people and the environment. The Board and Group Executive recognise that to achieve successful sustainable development Orica will be driven by economic, social and environmental goals – consistent with our DTP principles. Without doubt, sustainability presents a significant challenge for large, global and energy intensive organisations like Orica and our progress towards sustainability will engage and test the ingenuity and resolve of every employee.

Challenges

SAFETY AND HEALTH

Orica operates complex processes in a variety of regions to manufacture and supply a wide range of chemical products. The nature of our business requires the careful management of many different hazards – however, we remain committed to the belief that all work-related injuries, illnesses and environmental incidents are preventable.

While our recordable incident frequency rate is among the best in the world, we are concerned that we have not been able to translate this good injury performance into a business that is free from catastrophic incidents.

We have initiated a number of Expert Panels familiar with specific process hazards and technologies to provide a special focus on particular risks that have resulted in fatalities in the past. We hope that through the work and guidance of these panels we will identify new approaches that will be successful in eliminating serious injuries and fatalities from our business.

CLIMATE AND ENERGY

As a major supplier to the chemical and mining industries, Orica manufactures products which involve energy intensive processes. Orica directly contributes to about 0.5% of Australia's non-agricultural emissions (i.e. industrial and energy use emissions). Orica also recognises that its products are indirectly associated with significantly more emissions generated through the energy sector.

In the past 12 months, climate change has become an area of increased focus and concern for both society and for Orica. We share a responsibility to address the risks of climate change and are working with our customers and suppliers to identify how we can best contribute towards reducing climate impacts, both within our own operations and across the supply chains we serve.

Consequently, Orica has set its sights on becoming a carbon-neutral organisation. This bold and aspirational goal signals our belief that we can no longer operate 'business as usual'. It means that we must be even more diligent about the way we use energy, investigate how we can make more use of renewable and lower-carbon forms of energy, look beyond our traditional factory boundaries to our industrial neighbours and communities to find ways of using waste energy and ultimately, when no other option is economically viable, consider off-setting our remaining emissions.

In pursuit of this aspiration, Orica supports the development of equitable, global policy frameworks that utilise the market, provide incentives for new technology and long-term predictability to address the risks of climate change.

WATER

Orica's operations utilise significant quantities of water – around 8.5 million kilolitres or the equivalent of 3,400 Olympic sized swimming pools each year. While not all of our operations are in water constrained parts of the world, we recognise the increasing importance of water security and the community's need for safe, clean water supplies.

Our Watercare business is directly involved with the treatment of water to ensure its safe use and has developed the MIEX® technology to help improve water quality in specific applications. The major project to clean up contamination that has entered the groundwater at Botany has also provided Orica with an opportunity to displace potable water by using the recycled water in its own operations. Orica is also looking for suitable opportunities to supply a number of neighbouring industries with recycled water. In addition, Orica has felt the acute effects of water shortage at one if its largest sites situated near Gladstone in Queensland, Australia.

These experiences have provided Orica with incentive to maximise the efficient use of water and aspire to become a water-neutral organisation.

ENGAGING PEOPLE

Increasingly, Orica businesses are operating in more remote regions. This is presenting new challenges for an organisation that at its inception ten years ago was primarily operating in Australia and communicating in a single language – English.

Today we have a presence in around 50 countries and publish company news in twelve different languages. It is critical that we succeed in promoting our core values to customers and employees in these regions, while remaining responsive to their concerns about the future of the environment and the communities in which they live. We see our

"Orica is working with external experts to develop and implement technology for the reduction of nitrous oxide emissions at our Nitric Acid plants. Nitrous oxide (a recognised greenhouse gas, with one tonne of nitrous oxide equivalent to 310 tonnes of CO_2) is a by-product of nitric acid production, which is part of our ammonium nitrate manufacturing processes. If successful, this technology will have a major impact in decreasing our nitrous oxide emissions, and would be introduced into our Nitric Acid plants across the world over the next few years."

Peter Hader – Orica Carbon Trading Manager

social responsibilities as being complementary to our financial performance and a critical component of both our licence to operate in all regions of the world and our ability to attract and retain the best employees.

An additional challenge will be to identify the emerging environmental trends in each region and find ways to successfully grow our business with less environmental impact. This includes upholding tough environmental standards and transferring new technologies that reduce impacts to developing parts of the world.

SUSTAINABILITY VISION

In addition to 'no injuries to anyone ever', Orica aspires to become a business that does no harm to people and the environment.

This means a transition to:

- carbon-neutral;
- water-neutral;
- zero-waste; and
- environmentally friendly operations, products and services

…in a commercially responsible way.

carbon-neutral
no net generation of greenhouse gas emissions to the atmosphere

water-neutral
no net consumption of potable water

zero waste
no net generation of waste to landfill and innovative ways to prevent, reduce, reuse and recycle by-product from manufacture and end of product life

environmentally friendly
no unintended consequences to the environment and community

CHALLENGE 2010

In 1990 Orica commenced its 'Challenge' program with milestones it wished to reach, and preferably pass, in a number of key SH&E areas within five years. The program has been renewed every five years with subsequent Challenge programs. Orica is currently working towards its Challenge 2010 goals.

Orica recognises that Challenge 2010 is just a step along the journey towards sustainability. While the Challenge program has helped Orica to achieve significant improvements in performance and will continue to be the focus of our activities for the next few years, sustainability requires us to look beyond these targets and consider how we can develop new products and businesses that address the emerging challenges.

Already a number of priority activities have been identified in relation to resources and operational sustainability. These activities address our most significant environmental impacts and help us move beyond the existing targets to deliver a fundamentally more sustainable business. These activities include:

1. Nitrous Oxide (N_20) Abatement: The Mining Services business is assessing technologies that will enable a significant reduction in current N_20 emissions. Successful implementation of this technology will reduce total Carbon Dioxide Equivalent (CO_2e)* emissions to 45% of 2004 levels even when the business has grown significantly in the meantime.
2. Energy: Detailed assessments are required by the Australian Federal Government's Energy Efficiency Opportunities Act. Opportunities identified to date at Kooragang Island, Newcastle have the potential to deliver over $1 million in savings. There is also the potential to make substantial savings at other Orica sites that use significant quantities of energy.
3. Gas Efficiency: Kooragang Island consumes more than 70% of Orica's energy, with 50% of that energy being consumed as a raw material. Any saving in gas will provide financial benefits and remain a priority focus for the site.
4. Waste Heat: Yarwun's Cyanide plant produces significant quantities of waste heat. The site is investigating ways in which that heat could be captured and used to off-set other energy sources.
5. 'Blue-Sky' Ideas: As natural gas becomes increasingly scarce and expensive, alternative long-term sustainable raw materials for ammonia manufacture are being investigated.
6. Botany Groundwater Treatment: The Botany Groundwater Treatment plant can recycle up to 15ML of water per day, equivalent to 60% of Orica's total water use, displacing the need to use potable water in the Botany industrial complex.
7. Hunter Water: Kooragang Island has the potential to replace all its water needs with recycled water from the Hunter River. A project investigating the feasibility of using recycled water has commenced.
8. Shadow Price: The Orica Executive Team has requested a sensitivity analysis considering a shadow price for carbon and water be included in significant expenditure proposals and contracts.
9. Lifecycle: Greater focus will be placed on understanding the full lifecycle impacts of a wider range of products. Wider use of lifecycle assessments will help show where reductions in waste, water and energy use may be made across an entire value chain.
10. Low-Impact: To help track progress and measure the value of a 'greener' product mix, a definition and measure for sales of low-impact products will be developed in conjunction with suppliers and customers.

As these actions are developed and implemented Orica will engage with its customers and the wider community to identify further priorities that will move the organisation towards its sustainability aspiration.

* The carbon dioxide equivalent (CO2e) level of greenhouse gases. An expression of the total warming effect (the radiative forcing) of gases in terms of the equivalent concentration of carbon dioxide.

New Orica Consumer Products Corporate head office in Clayton, Melbourne, Australia.

Safety and Health

CHALLENGE 2010 MILESTONES

- No worker fatalities.
- Reduce the rate of injuries and illnesses: All Worker Recordable Case Rate to <0.40.
- Sustain compliance with illness prevention: health assessment and occupational hygiene programs (>99%).

Following a review of the BP accident at Texas City, USA and subsequent independent reports, Orica is pursuing two key process safety initiatives to reduce the risk of serious incidents and injuries in the Company:

Expert Panels: the concept of Expert Panels has been extended to cover the whole Company rather than just the Mining Services business. Roles, responsibilities and scope of work will be developed in 2008. The Panels will provide the Company with a high level focus on specific operating risks.

Periodic Hazard Studies: is an ongoing process being implemented across the Company. These studies test how process hazards have changed from the original design over the life of a plant. Studies result in an updated risk profile and a review of the effectiveness of relevant controls on the site.

INJURIES AND ILLNESSES

The Company's safety performance dipped during the year, as measured by its primary safety metric the All Worker (ie. employees and contractors) Recordable Case Rate to a rate of 0.60, whilst the Employee Recordable Case Rate of 0.54 is the best ever result on record.

However, the overall safety performance was overshadowed by the tragic death of a worker during the year. In July 2007, a Mining Services employee working underground at a customer mine in North Candelaria, Chile was fatally injured when a mine haul truck unexpectedly rolled back down the mine road and the load of ore shifted and crushed an Orica utility vehicle from which the employee was trying to escape. A thorough investigation involving the mine owners, Orica and government authorities concluded the employee had followed all the prescribed underground safety procedures and the accident was the result of the mine operators not following standard underground operational procedures.

Overall, there were 104 all worker recordable cases (injuries and illnesses), including the single fatality, during the year compared with 84 cases for the previous corresponding period. This represents an All Worker Recordable Case Rate of 0.60, compared to 0.57 for 2006. The recordable case rate represents a 5% increase during a year when all worker hours increased by 13% due to recent acquisitions. The result is the Company's second best ever on record, a 19% improvement over the previous All Worker Recordable Case Rate of 0.74.

TYPES OF INJURIES

Analysis of the recordable cases for 2007 shows the majority of significant injuries still arise from manual handling and ergonomic issues, hand injuries and slips, trips and falls. Whilst there has been a rise in injuries associated with slips, trips and falls (up from 12.5% in 2006, to 18%) it is pleasing to report a decline in injuries from manual handling and ergonomic associated activities (down from 33% in 2006, to 28%) and also hand injuries (19% compared to 24% in 2006). Injuries associated with moving vehicles or mobile plant, moving/falling objects, machine guarding, high-pressure equipment and chemical exposures remained largely static compared with 2006.

CASE STUDY

New Orica Consumer Products Sustainable Corporate Head Office Constructed

The new OCP corporate head office in Clayton, Melbourne has been designed and constructed as an environmentally sustainable green building. With the official opening of the offices scheduled for 11 December 2007, the new facility will incorporate many sustainable building technologies such as:

- Highly efficient ventilation equipment which provides a fresh air/purge cycle to take advantage of ambient outdoor temperature conditions where little or no heating or cooling is required.
- A building air monitoring system that measures carbon dioxide and formaldehyde levels and modifies fresh air supply to eradicate unacceptable levels.
- A 60,000 litre underground storage tank to store rainwater collected from the roof, to supply flush water to toilets reducing the reliance on towns water and water wastage. Stormwater will also be collected in a wetland pond where it will be cleaned by the action of wetland plants. The stored water will be used to provide site irrigation.
- All products used in the building have been selected to minimise volatile organic compound and formaldehyde emissions. All timber has been sourced from sustainable forests certified by the Forest Stewardship Council.
- Landscaping has been designed to accommodate climate change issues by utilising drought resistant plants.

Additionally, a sophisticated Building Management System for the office's mechanical and electrical plant has been incorporated, which will provide daylight control (ie. lights turned off when daylight provides sufficient light levels) and optimal use of energy to minimise the building's impact on the environment.

It is anticipated that the sustainable design and technologies being adopted within the new Dulux head office will save over 440 MWh of electricity and 420 tonnes of carbon dioxide per year (equivalent to the energy used by 20 houses each year).

LEARNING INCIDENTS

The Company continued its critical focus on the reporting and investigation of serious General Learning Incidents (or 'near hits and misses'), together with the close-out and review of corrective action associated with these incidents. These incidents are situations where no serious injury or damage resulted, however the potential consequences could have been much worse. Whilst such incidents have been reported and managed at the site level for many years, they are now a monthly performance metric in respect to investigation and action closure at the Company level in order to maintain the on-going focus on low probability–high consequence events (e.g. fatalities, fires, explosions, major chemical releases, etc.).

Review of these incidents for 2007 reveals incidents at mine sites accounted for 22% of serious near misses and encompassed events related to blast preparation, flyrock projectiles as well as unauthorised or inappropriate movement of vehicles within blast areas. Other moving vehicle and mobile plant incidents represented 10% of incidents. There was an increase in incidents related to failure to follow procedures up from 8% in 2006 to 12% in 2007, however there were reductions in falling/moving objects (down 3%), failures in equipment or processes (down 2%) and incidents involving fires or explosions (down 5% in 2006). Incidents associated with chemicals (packaging failure, contamination, etc.), failures in clearance to work (permit to work) systems and electrical occurrences remained largely static with the previous year. Comprehensive incident investigations are completed in each case and appropriate corrective actions undertaken to prevent a recurrence.

COMPLIANCE WITH HEALTH AND HYGIENE PROGRAMS

Orica's health surveillance and exposure monitoring program are two key occupational health preventative processes and the measurement of program compliance is a leading indicator of performance. Program performance is tracked globally through the Company's SH&E recording system with progress throughout the year reported monthly to senior management.

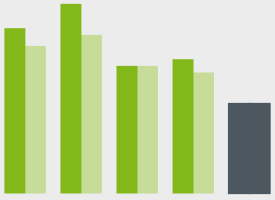
Compliance with hygiene monitoring programs for the assessment of workplace exposures to hazardous substances, noise, etc. with the relevant occupational exposure standards in 2007 was 96.2%, a slight decrease on 2006 and reflected the global introduction of a more rigorous Company standard for lead. The 97.4% completion rate for the planned hygiene sampling programs (3,536 tests) improved compared to last year and was significantly influenced by the improved performance in the overseas Mining Services business. The annual health assessment program (7,877 tests) achieved a compliance of 97.4% to plan and similar to last year.

PANDEMIC INFLUENZA

Orica has developed a Corporate Pandemic Influenza Contingency Plan supported by plans which have been developed by each business group.

A standing Corporate Pandemic Influenza planning committee is in place, chaired by the General Manager, People and Community, and comprising senior management responsible for SH&E, risk and communications and functional occupational health resources.

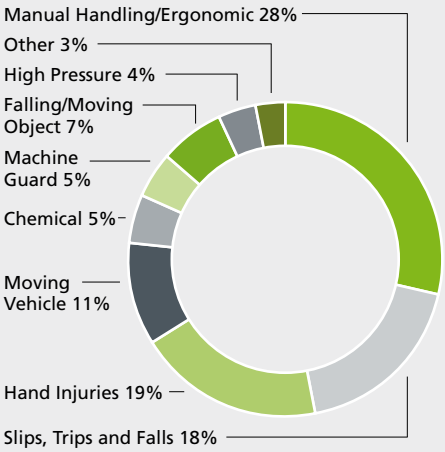
All Worker Recordable Case Rate



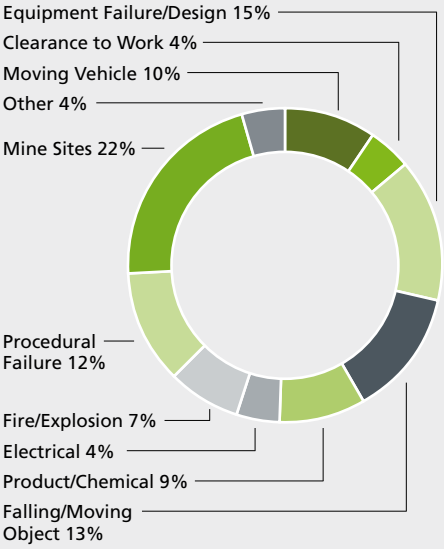
2004	2005	2006	2007	2010
0.74	0.85	0.57	0.60	0.40
0.66	0.71	0.57	0.54	

All Worker Employee

All Worker Recordable Cases



General Learning Incidents



Community

CHALLENGE 2010 MILESTONES

- No distribution incident fatalities.
- Reduce the number of serious distribution incidents involving our products (<12 Category 2+ incidents per year).
- Reduce the number of serious site losses of containment (<4 Category 2+ incidents per year).
- No environmental licence non-compliances.

CHEMICAL EMISSIONS

Orica reports specific chemical releases from its sites as required by local regulation and collates this data in the sustainability section of its website. Sites undertake to operate within permitted emissions requirements at all times and seek opportunities for reducing emissions were possible.

LEGACY ISSUES

Orica continues its program to manage legacy issues associated with historical operations at a number of sites and remains committed to achieving results expected by the community and consistent with ensuring no harm to people and the environment. Key activities in 2007 included:

- The Botany Groundwater Treatment plant in NSW is fully operational and is successfully treating contaminated groundwater. Treated water is being recycled for industrial use.
- Orica is continuing to seek approval for the export of HCB waste for treatment in Europe, including objections against the refusal in some German states to issue import permits. The material continues to be stored safely and securely at Botany.
- Planning approvals are in progress to treat contaminated soil at the Botany site. It is expected that treatment of the soil will commence in 2009.
- At Yarraville, Victoria, recommendations for an environmental audit have been addressed in a management action plan and approaching completion in most areas.
- A Remediation Action Plan has been produced for the Villawood site in NSW and implementation will commence in 2008.
- Remediation and demolition of redundant buildings at Seneca, USA, is proceeding to schedule. Removal and treatment of contaminated waste is well advanced at this site.

As well as the above sites, Orica is actively investigating, and where appropriate remediating, environmental concerns at a number of sites including Deer Park and PMA in Victoria, Padstow in NSW, and former Dyno Nobel sites in Norway.

DISTRIBUTION INCIDENTS

Distribution incident performance declined dramatically during 2007, with a total of 28 serious (Category 2+) incidents during the year, compared with 18 in 2006 and 37 in 2005 corresponding periods. This represents a 50% increase over the past year. Tragically, two of these incidents resulted in fatalities to twenty-nine members of the public. The two fatal incidents were:

- 21 March 2007, a transport carrier's truck returning with empty chlorine drums and cylinders near Bendigo, Victoria was involved in a fatal head-on collision. The single occupant of the vehicle, a probationary driver, was killed instantly when he lost control of his speeding vehicle (estimated by police at 157 km/h) prior to veering onto the wrong side and colliding with the oncoming truck. The contract driver was physically unharmed and no product or packaging damage occurred in the incident.
- 9 September 2007, a fully licensed contractor truck carrying ANFO (ammonium nitrate fuel oil mixture) was involved in a fatal head-on collision with a pickup truck on a busy public highway at Monclova (Mexico). The collision ignited a fire that spread to the ANFO and subsequently a major explosion occurred some 45 minutes later. One member of the public died as a result of the initial accident, a further 27 were killed in the explosion and in excess of 300 people were injured. The two contract drivers survived.

Of the 28 recorded distribution incidents during 2007, fourteen incidents occurred in Australia/New Zealand, seven in Latin/South America, three in North America, two in Asia and one in each of Europe and Africa. 19 incidents occurred on public roads, three on railways, two aboard ships and four occurred at customer sites. 13 of the recorded distribution incidents involved spillage of product, which was cleaned up in each case where possible and any contaminated soil removed. In addition to the 29 fatalities, there were 264 other injuries associated with these distribution incidents effecting two Orica employees, five contract drivers and 257 members of the public, including 250 in the catastrophic Mexico incident. This compares with 12 injuries during 2006 and eight in 2005 corresponding periods. Aside from the horrific injuries sustained in the Mexico fire and explosion which included burns and scarring, loss of limbs, internal injuries and lacerations, the other incidents resulted in cuts and lacerations, bruising, sprains and two instances of acid burns to tanker drivers.

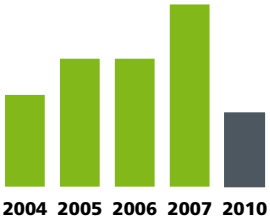
SITE LOSSES OF CONTAINMENT

There were ten serious site losses of containment recorded in 2007, compared with seven in 2006. There were no injuries as a result of the losses, and the incident types included spillage of emulsion within bunds (fully recovered), release of nitrous oxide gas from nitric acid plants, overflow of process water from site containment ponds during periods of heavy rain, spillage of nitrates and effluent to stormwater drains and a small release of liquid ammonia from a vaporiser.

Incident investigations were undertaken in each case and appropriate corrective actions implemented to prevent further recurrences. Sites also record and investigate minor leaks or spills of product that are quickly brought under control.

Distribution Incidents

Site Losses of Containment



ENVIRONMENTAL LICENCE COMPLIANCE

During 2007, in excess of 50,800 tests, most involving continuous sample monitoring and automatic analyses, were completed across the Company's operations in order to assess compliance of emissions (e.g. air, water, noise) with environmental licences and regulations. Of these tests, there were 29 environment non-compliances reported to our internal management system during 2007 (compared with 15 in 2006 and 76 in 2005), representing a compliance rate of >99.9%.

There were no environmental prosecutions or significant fines reported during 2007 and three infringement notices were issued by regulatory authorities arising from the overflow of a site containment pond during heavy rains, trace powder fines fallout from an extraction stack and an odour release from a site.

EMERGENCY RESPONSE

The Company's Emergency Response Service (ERS) responded to 331 calls in the Australasian region relating to the Company's products and facilities during the 2007 year. This compares with 315 calls in the previous corresponding period, and 368 in the 2005 year. The increase in call numbers, whilst not significant, was largely due to increased incidents from home users of consumer products particularly in the garden care and home handyman areas.

Of the 331 emergency calls during the year, 61% related to human exposures (mostly paint and DIY product exposures in the home), 12% to site losses of containment, 9.5% to distribution incidents, 7% to animal exposures namely in home gardens and 10% to other incident types. The ERS is also provided to over one hundred external clients at a contracted fee for service. Outside of Australia and New Zealand the Orica businesses take direct responsibility for their emergency response.

In 2007, the ERS won the Victorian and Australian Quality Awards, conducted by the Australian Organisation for Quality for the third consecutive time. This is an outstanding achievement for the small, dedicated team, and has resulted in induction to the Quality Hall of Fame.

COMMUNITY COMPLAINTS

All sites are required to develop good working relationships with their neighbouring communities. This includes site Community SH&E Reports and formal Community Relations plans. All sites are required to record and address community complaints with an objective of eliminating all complaints by 2010.

The number of justified complaints reported by all sites in 2007 was 28, in line with previous reports (33 in 2006 and 27 in 2005). The numbers of reports are attributed to better capture of complaints and heightened community response to events such as odour, noise, flumes and dust excursions rather than any deterioration in performance. Each complaint received is investigated, causes are identified and actions taken to eliminate further community concern.

PRODUCT STEWARDSHIP

Product Stewardship recognises that manufacturers, importers, governments and consumers have a shared responsibility for the environmental impacts of a product throughout its life cycle.

For Orica, Product Stewardship involves considering SH&E impacts in developing products and introducing new formulations and packaging; looking at where the raw materials come from and stipulating conditions on the suppliers and during manufacture, storage, handling and transport. It means putting SH&E management systems in place to protect our employees, our plant and equipment, the community and the environment from damage. After the products leave our direct control and are distributed, sold and used by our customers, it means influencing the use of the product right through to its eventual disposal.

Orica businesses use a Product Stewardship Self-Assessment checklist to monitor their performance across the supply chain and plan improvements. Each business has an objective to attain a score greater than 90%.

Some of the activities undertaken to reduce environmental impacts and improve stewardship of products this year include:

- Selleys launched an improved non-methylene chloride paint stripper as a safer alternative to traditional methylene chloride containing products.
- The Dulux Woodcare business has successfully launched a range of easy to use and fast drying water-based decking oils in the Intergrain and Cabot's ranges.
- The Mining Services business has improved its incident reporting procedures in North America and updated their ammonium nitrate sourcing guide to include further details on primary contacts, approved carriers and information on delivery destinations.
- The Mining Services business in Australia has introduced a Best Practice Program to ensure customers get the benefit from Electronic Blast technology.
- International Cyanide Management Code accreditation was achieved for specific parts of the Mining Chemicals business.

COMMUNITY RELATIONS

Orica is a signatory to the Responsible Care® Community Right to Know Code of Practice. Major sites are expected to communicate their safety, health and environmental performance to their neighbours on a regular basis.

- **HIV/AIDS**
  One of the greatest global health challenges of our time is the AIDS epidemic, and Zambia in Southern Africa is badly affected by this crisis with an estimated 16.5 per cent of the adult population infected with HIV. According to the United Nations Report of the Global AIDS Epidemic 2006, there are an estimated 710,000 orphans in Zambia as a result of AIDS and if it continues at its present rate, about half of all youth now aged 15 can expect to die of AIDS. Yet, only 9.4 per cent of women and 13.8 per cent of men in Zambia have ever been tested for the virus. Orica's site at Zambia is tackling the issue head on and late last year held an AIDS education and testing day for employees at the site. Representatives from New Start provided the counselling and on-site testing to employees. Of the 64 employees who

attended, 23 people underwent the counselling and testing. Similar programs have been introduced in other countries in Africa where the Company operates and in Papua New Guinea (PNG) where there is also a significant prevalence of HIV infection.

- **Health**
  Towards the end of 2006, in commemoration of 40 years of Dulux operations in PNG, Orica PNG Limited held a health expo in Lae and Port Moresby. The theme of the expo was healthy living. The expo provided employees across all Orica divisions the opportunity to participate in a number of health promotion activities on sites. Qualified health providers from outside the Company gave talks and provided services on health issues including malaria, blood pressure, body fat and nutrition, personal hygiene, dental care, eye testing, blood sugar and first aid. The expo was the first of its kind for the Orica business in PNG and all employees participated. The inclusion of HIV/AIDS risk factors in the expo emphasised the importance the PNG Government and the community at large has placed on the issue based on current trends. PNG has the highest incidence of HIV in the Pacific region – it is estimated that two per cent of the adult population, about 64,000 people, are now HIV positive. The strong message to employees was that many deaths could be prevented by adopting simple lifestyles choices and making behavioural changes.

Resource and Operational Sustainability

CHALLENGE 2010 MILESTONES

- Reduce energy consumption: >15% per tonne of production.
- Reduce emissions of greenhouse gases: >35% per tonne of production comprising carbon dioxide >15%, and nitrous oxide >50%.
- Reduce water consumption: >15% per tonne of production.
- Reduce waste generation: >50% per tonne of production.

All sites consuming more than 2,000 gigajoules (GJ) of energy or 2,000 kilolitres (KL) anywhere in the organisation are required to report their energy and greenhouse emissions, water use and waste monthly into a company-wide reporting database. Smaller sites provide aggregate data every six months.

As noted in the 2006 SH&E Report: baseline, annual values and Challenge 2010 targets have all been recalculated to reflect the divestment of Incitec Pivot and the acquisition of the Dyno Nobel business.

In 2007, Orica joined the Victorian EPA Carbon Innovator Network to participate in industry-wide discussions on energy efficiency and emissions reduction opportunities. Orica already adopts many of the Carbon Management Principles proposed by the EPA, placing a high level of importance on timely and accurate measurement of energy consumption and emissions, setting intensity targets to drive ongoing improvement and encouraging programs to further improve efficiency (such as those activities arising from our participation in the Australian Greenhouse Office Greenhouse Challenge program).

The Carbon Innovator Network also provides Orica with an opportunity to develop ideas on reducing carbon emissions and promote the activities it has undertaken to improve energy efficiency and off-set product emissions to a wider audience.

The Carbon Management Principles help explain the relationship between energy use and emissions and provide an effective decision-making framework for reducing impacts in the most cost-effective manner.

ENERGY CONSUMPTION

The Company's energy consumption for the 2007 financial year was 5.22 GJ per tonne of production, representing a 5.5% increase over the 2004 baseline.

The Kooragang Island and Yarwun sites have increased production of ammonium nitrate due to strong demand, leading to an 11% increase in gross energy consumption over 2006. The energy intensive nature of these product means meeting the Challenge 2010 target will be extremely difficult in times of growth, regardless of the efficiency improvement that may be made in the process.

CASE STUDY

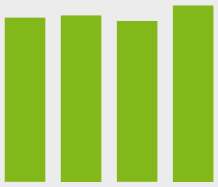
Kooragang Island Energy Efficiency Opportunities Initiative

In 2005 Orica volunteered to become one of 25 trial companies for the Australian Governments Energy Efficiency Opportunities (EEO) program. The program presented Orica with an opportunity to help achieve the 2010 energy reduction target, and to support its 'beyond compliance' approach to energy efficiency legislation.

As part of the EEO Program Orica conducted a trial assessment over a period of six months at the Mining Services site at Kooragang Island. The assessment identified over 70 potential energy efficiency opportunities including:

- Energy savings of 140,000 GJ per year, which is a 6 per cent reduction in non-feedstock energy use across the site;
- Greenhouse gas reductions of 9,520 tonnes of CO_2e per year;
- Further energy savings of 266,000 GJ per year; and
- Further greenhouse gas reductions of 19,600 tonnes of CO_2e per year.

Gross Energy Consumption (million GJ)



2004	2005	2006	2007
14.7	14.9	14.4	15.8

Energy Consumption (GJ/t)

2004	2005	2006	2007	2010
4.95	4.29	4.79	5.22	4.20

GREENHOUSE GAS EMISSIONS

The Company's total greenhouse gas emissions (comprising carbon dioxide and nitrous oxide) for the 2007 financial year were 1.56 tonnes of carbon dioxide equivalent per tonne of production, representing an 18.8% increase over the 2004 baseline. Emissions of carbon dioxide only at 0.49 tonnes per tonne of production were 20.2% higher, while emissions of nitrous oxide were 18.0% higher compared to the 2004 baseline.

Again, increases in greenhouse gas emissions are related to increases in production to meet strong demand for ammonium nitrate.

CASE STUDY

IT Goes Green

Orica's IT department has recently reduced the number of Windows servers at its data centre. Using a new technology known as 'server virtualisation', the IT department consolidated the power and capacity of 49 of its servers in data centres into 10 servers. With this initiative in place, it is estimated that in three years roughly 1,000 tonnes of carbon dioxide will be saved through reductions in power and cooling.

WATER CONSUMPTION

The Company's water consumption for the 2007 financial year was 2.83 KL per tonne of production, representing an 11.1% decrease over the 2004 baseline.

The highest water consuming sites for this period were Kooragang Island (37.6%), Yarwun (19.3%), Carseland (10.8%), Gomia (6.5%) and Monclova (5.1%). Increased production at Kooragang Island and Yarwun drove an increase in water consumption compared to the previous year.

CASE STUDY

Botany Groundwater Treatment Plant

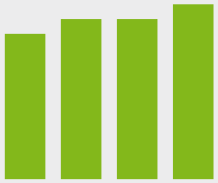
Sydney's largest water recycling project was opened by Orica in late 2006 at our Botany Industrial Park site.

Orica's Groundwater Treatment plant treats contaminated groundwater at the site to produce near drinking quality water. This water is then used by Orica in its ChlorAlkali plant at Botany, and is also sold to two other industrial customers in the Botany area who use the water in their manufacturing operations.

Benefits of the Botany Groundwater Treatment Plant include:

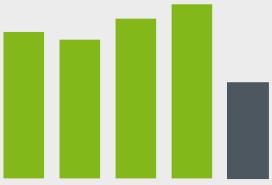
- Orica's ChlorAlkali plant uses water as one of the main raw materials to make chemical products for water purification and manufacturing. Using recycled water from the aquifer will save 85 per cent of towns water, or 186 million litres a year, previously used in this manufacturing process.
- More than two billion litres will also be saved each year at the Qenos demineralisation plant at Botany and in its cooling towers. The other user, Solvay Interox, is expected to save 200 million litres per year.

Gross Greenhouse Gas Emissions (million tCO_2e)



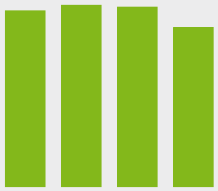
2004	2005	2006	2007
3.9	4.3	4.3	4.7

Greenhouse Gas Emissions (tCO_2e/t)



2004	2005	2006	2007	2010
1.31	1.24	1.43	1.56	0.85

Gross Water Consumption (million kL)



2004	2005	2006	2007
9.5	9.8	9.7	8.6

Water Consumption (kL/t)

2004	2005	2006	2007	2010
2.18	2.81	3.21	2.83	2.71

Botany Groundwater Treatment plant, New South Wales, Australia at night.

WASTE GENERATION

Orica's waste generation for the 2007 financial year was 5.29 tonnes per kilotonne of production, representing a 50.7% decrease over the 2004 baseline.

More than 15,900 tonnes of waste was generated in 2007. Of this total, 39.7% was sent to landfill, 44.5% was recycled or reused, 10.8% was destroyed or treated on site and 5.0% is stored on site. The percentage of waste stored on site has decreased considerably after re-analysis of the way this waste was reported. In terms of total waste generated, the largest contributing sites were Rocklea (14.4%), Padstow (5.1%), Gracefield (4.3%) and Laverton (4.1%).

Orica has sought to address the issue of waste in the year 2006-07 through:

- Orica Chemicals Latin America supplies customised, heavy duty engine coolant to many of the high altitude mines in Chile, Argentina and Peru. Not only does the business monitor coolant quality to ensure that large mining trucks run efficiently, cutting greenhouse gases, but it also collects, recycle and blend the coolant for reuse. This significantly cuts wastage, reduces coolant costs, as well as provides enormous customer benefits by reducing operational expenditure.
- The Chemicals Division in Latin America is also contributing to the Company-wide push towards sustainability and achieving Challenge 2010 targets through the development of an innovative Reverse Osmosis (RO) regeneration process which not only assists in processing water but also now avoids significant RO membrane wastage.

CASE STUDY

Powders Fines Recycling

Powder coatings are used to apply a durable surface to numerous consumer goods, architectural components, appliances and many other metal items produced on industrial coating lines. The generation of waste powder in the manufacturing process has been minimised in the past by Dulux at its Clayton manufacturing plant, through optimisation of milling parameters. This process achieves over 96% materials efficiency, but still results in approximately 190 tonne of waste powder (fines) being disposed to landfill each year. The fines are classified as Prescribed Industrial Waste (PIW). Dulux has identified a new technology to further increase the material efficiency of the powder coating manufacturing process that enables the recovery of fines and its recycling back into product.

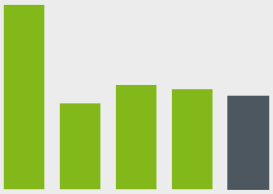
In 2005 the PACIA/EPA Victoria REWaRDS Partnership provided funding to Dulux Australia to undertake production development and R&D to integrate new technology into the existing powder manufacturing process to fuse the powder coat fines together for reprocessing. The technology could also potentially support the recovery of waste powder coating from applicators' facilities for recycling back into product.

Overall the project delivered cost savings in excess of $66,000 to Dulux in 2006, with the potential of growing the benefit to over $400,000 per year through the reprocessing of the majority of fines. The project has also achieved additional savings through the reduction of disposal costs (including landfill levies) for fines of $6,000 per year in 2006, growing to in excess of $80,000 per year when all powder coat fines are reprocessed.

Gross Waste Generation (thousand t)

2004	2005	2006	2007
32.0	17.2	18.2	16.0

Waste Generation (t/kt)



2004	2005	2006	2007	2010
10.74	4.96	6.04	5.29	5.37

Gracefield employee Tim Chaning-Pearce planting trees at Petone beach, New Zealand.

Stakeholder Engagement

Orica is committed to conducting business in accordance with high standards of corporate governance and aims to be open and transparent with all stakeholders regarding its sustainability aims and achievements.

Information on Orica's approach to sustainability and general operations is communicated through a range of forums, publications and online sources. These include:

- www.orica.com;
- Annual General Meeting (also webcast);
- The Annual Report – available in hard copy or on-line as an interactive report;
- An annual Sustainability Report; and
- Disclosures to the Australian Stock Exchange.

Orica actively engages the local community around the Botany site in Australia, in an effort to listen to their concerns, questions and suggestions regarding the Botany Groundwater Treatment plant.

The Company does this in a number of ways. It provides regular updates on the progress of the project through a column in the Southern Courier newspaper. It also publishes a newsletter for local residents and has produced a comprehensive suite of fact sheets, which are designed to provide the community with simple and easy to understand information on the environmental science and technology involved in the project, as well as displaying relevant information on a dedicated website: www.oricabotanygroundwater.com.

Many Orica operated businesses pro-actively engage the community around their sites. The Dulux facility in Rocklea, Australia has been involved with Rocklea State Primary School's annual sports day since 1997 and in 2007 provided students with drinks and refreshments on the day along with presenting the Dulux Shield.

SUSTAINABILITY INDEX

The Company's Sustainability Index for the 2007 financial year was 237. This reflects the high demand for Orica products in the mining sector and increased value being generated per unit of impact since 2004.

Orica is looking for ways to meet present and future needs with far fewer impacts. While we know some improvements will continue to come from within our operations, we believe that we will find many more opportunities in the supply chain by working together with our suppliers and customers.

In 2005 we created an index designed to measure the value we create over the direct impacts we generate. Value added is measured as gross margin and impact is a measure of our energy and water consumption, waste generation and emissions – indexed to 100 in 2004.

Our aim is to broaden this measure so that it includes the lifecycle impacts of our products, in addition to those we currently measure from our sites. This means including the impacts of raw materials sourced to manufacture our products and impacts arising from the disposal of our products after use.

Continuing to develop the Sustainability Index so that it encompasses the widest range of factors relevant to monitoring the sustainable supply of our products will provide a unique insight into the nature of our operations and help establish Orica as a leader in this particularly difficult area of sustainability measurement.

Sustainability Index (V/I)

2004	2005	2006	2007
100	122	152	237

CASE STUDY

Gracefield Project Green

Orica's Gracefield site in New Zealand implemented a comprehensive approach to sustainability in 2007. Called 'Project Green', the sustainability program was initiated on March 1st 2007 to increase employee awareness of sustainability related issues, reduce waste generation, energy consumption (and emissions) and water consumption.

The program was not only adopted to promote sustainability awareness amongst staff and meet selected goals, but all activities undertaken as part of 'Project Green' had to be achievable, measurable and to be able to be implemented within a 100 day timeframe. Initiatives launched during the campaign include:

- Co-mingle recycling bins in staff cafeteria and office kitchens to save approximately 26 m³ of recyclable metal, glass and plastic per year
- Insulation on hot water heating pipes to reduce heat loss and thus save energy
- Office paper recycling
- Change to a more fuel efficient fleet of cars
- 200 free coffee mugs given away to replace the use of polystyrene cups, saving 45 kg of waste to landfill per year.

Additional sustainability activities in place at the Gracefield site include:

- A raw material container recycling system was initiated with a supplier that will eliminate 460 waste metal drums (over 8 tonnes of waste) per year
- Over 65 tonnes of plastic, metal and cardboard was saved over the last nine months
- Over 175 tonnes of waste solvent sent for recycling over the last nine months.

By adopting sustainability practices, including the recent 'Project Green' activities, Orica's Gracefield facility has reduced the amount of waste being produced by the site by 15% during 2007.

Staff members based at Dulux Gracefield also organised, with the Hutt City Council, a tree planting and beach clean-up day at Petone beach. More than 40 Dulux staff members attended the beach clean-up which involved removing weeds and moving sand to make a more effective planting area before planting 280 seedlings.

The purpose of Orica's sustainability reporting is to provide shareholders with an overall picture of relevant aspects and results for 2007. We have endeavoured to provide information that is in accordance with sound reporting practice. It is not the intention to include detailed information at the site level. We have not sought independent verification of information contained in this report.

The overview below shows how Orica's report relates to the Global Reporting Initiative (GRI) guidelines for voluntary reporting of sustainable development. The table shows where information about each issue can be found and if it is either fully or partly described compared to GRI's definition. We have used the terms "Full" and "Partial" to indicate our reporting level for each core indicator.

Profile Indicators	Description	Page Number	Extent of Reporting
1.1	Statement from the CEO	2	Full
2.1	Name of the organisation	16	Full
2.2	Primary brands, products and/or services	3, 16	Full
2.3	Operational structure of the organisation	3	Full
2.4	Location of the organisation's headquarters	16	Full
2.5	Number of countries where the organisation operates	3	Full
2.6	Nature of ownership and legal form	16	Full
2.7	Markets served	3	Full
2.8	Scale of the reporting organisation	3	Partial
2.9	Significant changes during the reporting period	3	Full
2.10	Awards received in the reporting period	4	Full
3.1	Reporting period	1 Oct – 30 Sep	Full
3.2	Date of most recent report	2007	Full
3.3	Reporting cycle	Annual	Full
3.4	Contact point for questions regarding the report	16	Full
3.5	Process for defining report content	5, 6	Partial
3.6	Boundary of the report	3	Partial
3.7	Limitations on the scope or the boundary of the report	3	Partial
3.8	Basis for reporting on joint ventures, subsidiaries, etc.	3	Partial
3.10	Explanation of the effect of any re-statements	11	Full
3.11	Significant changes from previous reporting periods	3	Full
3.12	GRI content index	15	Full
4.1	Governance structure of the organisation	Website	Full
4.2	Is the Chair of the board also an executive officer?	Website	Full
4.3	Applies only to organizations with unitary board structures	Website	Full
4.4	Mechanisms to provide recommendations to the board	Website	Full
4.14	List of stakeholder groups engaged by the organisation	14	Full
4.15	Identification and selection of stakeholders	14	Partial
Performance Indicators	**Description**	**Page Number**	**Extent of Reporting**
EC1	Direct economic value generated and distributed	Website	Partial
EC2	Financial implications due to climate change	5	Partial
EN2	Percentage of materials recycled	13	Partial
EN3	Direct energy consumption by primary energy source	11	Partial
EN4	Indirect energy consumption by primary energy source	11	Partial
EN8	Total water withdrawal by source	12	Partial
EN14	Managing impacts on biodiversity		Not Reported
EN16	Total direct and indirect greenhouse gas emissions	12	Partial
EN17	Other indirect greenhouse gas emissions		Not Reported
EN18	Initiatives to reduce greenhouse gas emissions	12	Full
EN22	Total weight of waste by type and disposal method	13	Partial
EN23	Total number and volume of significant spills	9	Partial
EN26	Mitigation of environmental impacts of products	10	Partial
EN28	Monetary value of significant fines	10	Full
LA1	Workforce by employment type, contract and region	3	Partial
LA2	Total number and rate of employee turnover		Not Reported
LA7	Health and safety indicators	7	Full
PR1	Health and safety impacts in the lifecycle of products	10	Partial
PR5	Practices relating to customer satisfaction		Not Reported
PR6	Programs for adherence to laws and standards	4	Partial

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Paper used for this report

The paper used for this Sustainability Report has a 55% recycled fibre content.

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Feedback

Email us any comments via corpshe@orica.com or by contacting us directly. Telephone +61 3 9665 7111

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