ORORA

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ANNUAL REPORT 2020

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In a year shaped by the COVID-19 pandemic, Orora was recognised as an essential service provider in the continued supply of packaging for food, beverage and medical products.

Orora team members across all operating jurisdictions have demonstrated courage, commitment and flexibility in adapting to new ways of working while meeting the needs of customers safely and passionately.

Orora thanks all team members across Australia, New Zealand and North America for their dedication. It is these efforts that have seen your Company continue to deliver high-quality products and customer service throughout the pandemic.

Thank you to all Orora shareholders for your ongoing support of Orora as a leading sustainable packaging solutions provider.

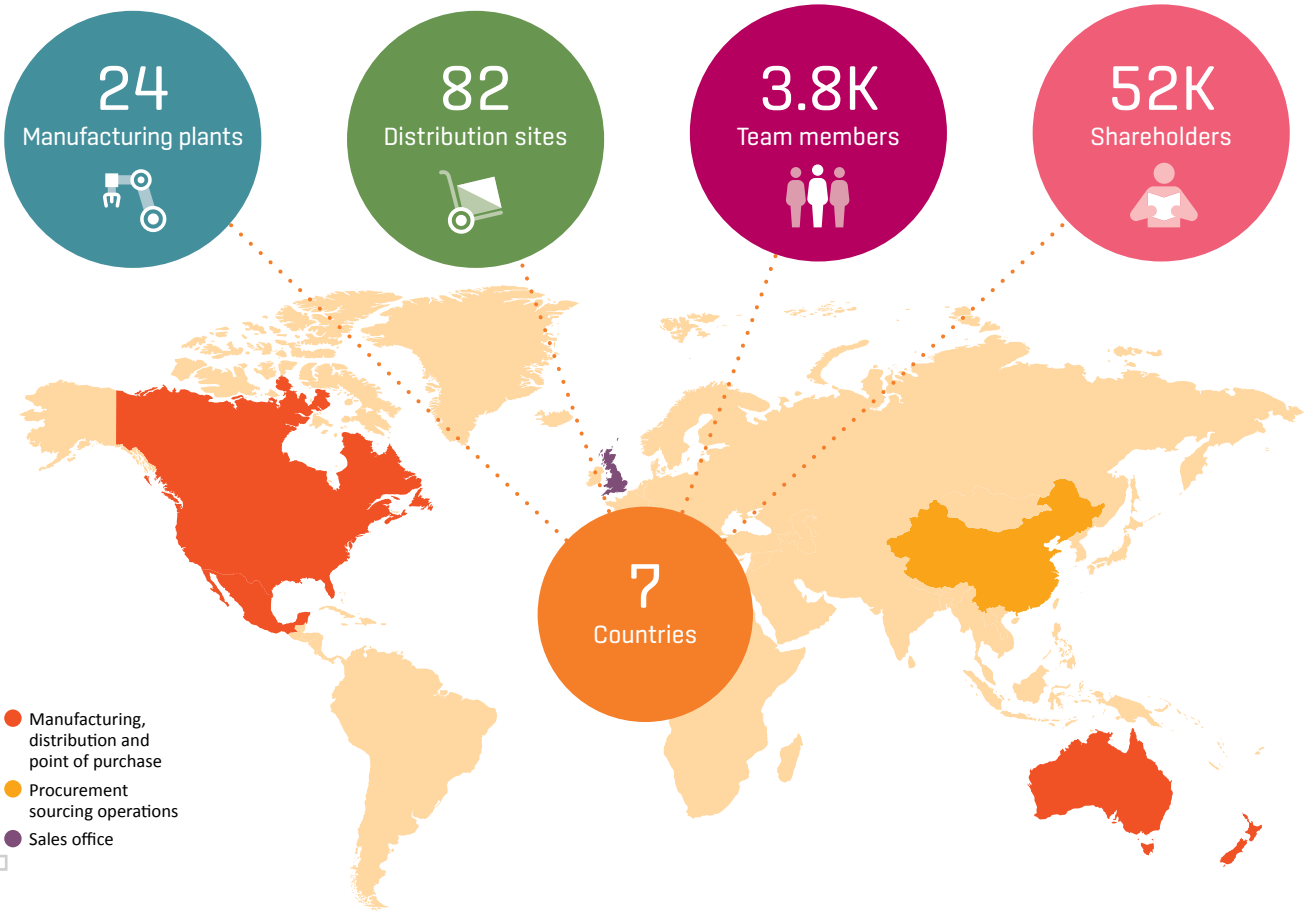
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ORORA AT A GLANCE

Orora works closely with its customers to provide an extensive range of tailored packaging and visual communications solutions. These include the manufacture, design and supply of packaging products such as glass bottles, beverage cans, corrugated boxes, recycled paper, and point of purchase displays. Orora also offers broad end-to-end packaging solutions and complementary services, including global product sourcing, distribution, design, printing and warehouse optimisation. Every day, millions of consumers buy and use goods in packaging proudly designed, developed, produced or supplied by Orora.



IN THIS ANNUAL REPORT

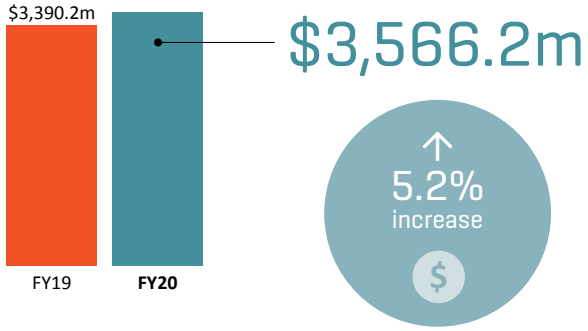
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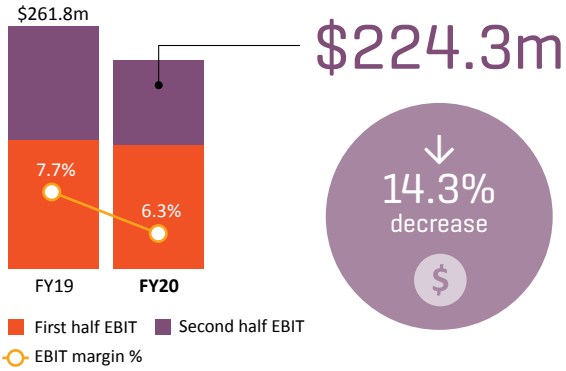
OPERATING AND FINANCIAL PERFORMANCE[1]

- Businesses proved resilient despite a challenging year
- Beverage business continues to deliver strong returns
- North American financial performance has stabilised
- Successful sale of the Australasian Fibre business for an enterprise value of $1.72 billion
- $600.0 million of capital returned to shareholders
- Strong balance sheet maintained to provide future growth optionality
- Final ordinary dividend of 5.5 cps (unfranked) represents ~78.0% of Group NPAT[3] which is at the top end of the revised indicated pay out range
- On-market buyback of up to 10% of issued capital to commence in September 2020

SALES REVENUE[2]



EBIT[2]



RoAFE[2]

16.0%

350bps decrease

UNDERLYING NET PROFIT AFTER TAX[2][3]

$127.7m

22.8% decrease

UNDERLYING OPERATING CASH FLOW

$169.8m

30.0% decrease

DIVIDEND (per share)[4]

12.0¢

7.7% decrease

* Except as expressly defined in this Annual Report, $ refers to Australian Dollars.

(1) On 30 April 2020, the Group completed the sale of its Australasian Fibre business. The financial performance reflects the continuing operations only unless specified, the comparative period FY19 has been restated to reflect FY20 presentation.

(2) The financial periods presented above represent underlying earnings excluding the impact of significant items. FY20 excludes a significant item expense of $137.2 million relating to restructuring activities and recoverable asset impairment charges in North America. FY19 excludes a significant item expense relating to restructuring costs associated with re-sizing of business groups and additional decommissioning costs associated with the Petrie Mill site. Further details regarding the significant items can be found in the 2019 Annual Report.

(3) Net profit after tax before significant items and including discontinued operations.

(4) Not including special dividend of 37.3 cents per share paid on 29 June 2020.

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

Throughout this report, Orora has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Orora uses these measures to assess the performance of the business and believes that the information is useful to investors. The following non-IFRS measures have not been audited but have been extracted from Orora's audited Financial Statements: earnings before interest and tax before significant items (EBIT); earnings before interest, tax, depreciation and amortisation before significant items (EBITDA); return on average funds employed (RoAFE). Performance measures such as Earnings per Share, RoAFE and EBIT Margins have been calculated using the non-IFRS measures listed above. All other non-IFRS measures, unless otherwise stated, have not been extracted from Orora's audited Financial Statements. References to earnings throughout this report are references to EBIT before significant items.

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A MESSAGE TO ORORA SHAREHOLDERS



ROB SINDEL Chairman



BRIAN LOWE Managing Director and Chief Executive Officer

During a year like no other, Orora and its team members have demonstrated resilience, adaptability and agility as Orora businesses qualified as essential service providers in all jurisdictions. This meant that Orora could safely continue to design, manufacture and distribute products to customers without significant interruption despite the emergence of the COVID-19 pandemic during the financial year ended 30 June 2020.

Notwithstanding the global effect of the pandemic, Orora successfully completed the sale of its Australasian Fibre business, finalised a review of strategy, significantly reduced debt and returned $600.0 million to shareholders. While the immediate outlook remains difficult to predict, the businesses have since adjusted to new ways of working and are successfully driving positive operating and financial momentum across all geographies.

COVID-19

Orora team members have continued to perform their duties throughout the pandemic, helping to ensure that essential food, beverage and medical packaging and products continued to reach communities across Australia, New Zealand and North America. Orora demonstrated clear organisational leadership by rapidly separating production and non-production team members, implementing staggered shift times and increasing site sanitisation. Orora responded to meet customer needs and to preserve supply of key inputs as well as PPE for team members globally.

Orora's businesses have taken it in their stride and ensured that the needs of their customers and the community were served throughout this period.

While Orora worked hard to mitigate the impact of COVID-19, the total attributable net EBIT impact was ~$25.0 million, with ~90.0% of the earnings disruption occurring in North America.

Financial performance

At the Group level, Orora demonstrated the underlying strength and resilience of its businesses despite challenging market and economic conditions, particularly in North America, which was more severely affected by the onset of COVID-19 during the second half of the financial year ended 30 June 2020.

The Australasian Beverage business was impacted by irregular volume profiles due to consumer pantry stocking as COVID-19 “stay at home” orders came into effect in March, before softening in April and May, and returning to normal levels in June.

Orora Packaging Solutions (OPS) in North America endured a challenging start to the 2020 calendar year which resulted in the launch of a significant earnings improvement and restructure program. The comprehensive improvement program was supplemented with further initiatives, with a focus on adapting the product offering, preserving and growing volume with existing and new customers, margin improvement and cost reductions. Many of these initiatives have proven successful.

The impacts of COVID-19 were felt immediately in Orora Visual North America, a business that services customer’s point of display and signage needs, with retailers closing stores and many promotions being deferred. The immediate focus for this business is on reducing costs and positioning to rebuild revenue growth as markets recover.

Orora's continuing businesses grew sales revenue by 5.2% to $3,566.2 million while underlying earnings before interest and tax (EBIT) decreased by 14.3% to $224.3 million. Underlying net profit after tax (NPAT) from continuing operations and before significant items was $127.7 million, a decrease of 22.8% on the prior year. Underlying earnings per share (EPS) was 13.2 cents per share.

Statutory NPAT for the year was $239.9 million after significant items and including discontinued operations. Significant items during the year amounted to net income after tax of $71.6 million and consist of significant income after tax of $171.7 million in respect of the net profit recognised on the Australasian Fibre business (including transaction and restructuring costs) and a significant expense after tax of $100.1 million reflecting the reset of the North American businesses.

Operating cash flow for the financial year ended 30 June 2020 was $169.8 million, $72.8 million down on the prior corresponding period. Cash conversion for the period was approximately 54.0%, down from approximately 71.0% in the prior year.

Leverage was 0.9 times down from 1.9 times at June 2019. Net debt for the period decreased to $292.1 million down from $890.0 million at June 2019 primarily as a result of net proceeds of the sale of the Australasian Fibre business, partially offset by $600.0 million of capital management and other factors including the impact of foreign currency translation on repayment of US denominated debt.

The Board declared a final ordinary dividend of 5.5 cents per share, unfranked and 100% sourced from the conduit foreign income account. The final ordinary dividend represents a total annual dividend payout ratio of approximately 78.0% of Group earnings before significant items (including discontinued operations) which is at the top end of the revised indicated payout range – reflecting the strength of the balance sheet and confidence in the outlook of the continuing businesses.

A detailed review of Orora Group’s activity in Australasia and North America is presented in the Operating and Financial Review section of this Annual Report.

A MESSAGE TO ORORA SHAREHOLDERS

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Business review

Following completion of the sale of the Australasian Fibre business, Orora operates a streamlined portfolio of manufacturing, distribution and printing businesses. These include the Australasian Beverage business and North American OPS and Orora Visual businesses.

Australasian Beverage

The Australasian Beverage business is a leading supplier of Cans, Glass and Wine Closures in Australia and New Zealand. Beverage sales revenue of $785.9 million was in line with the prior corresponding period while EBIT was 7.4% lower at $147.2 million mainly as a result of the G2 glass furnace rebuild ($8.0 million) and COVID-19 impact (net ~$3.0 million).

Orora maintained a strong focus on investment into the Australasian Beverage business during the period with the successful rebuild of the G2 furnace and capacity expansion of the Gawler Glass site, which forms part of a $200.0 million investment in the world class Glass facility over the last five years. The business also introduced innovations related to digital printing of Cans, embossing of Closures as well as continued the roll out of its advanced manufacturing program.

While the Australasian Beverage business saw solid growth in Can volumes and was largely able to mitigate the impact of COVID-19, there was some unfavourable product mix across both Glass (imported product) and Cans, and lower Glass (wine exports) volumes. This, combined with the adverse earnings impact of the G2 furnace rebuild, resulted in slightly lower earnings.

North America

Despite North American sales revenue being steady at US$1,866.4 million, EBIT declined 29.6% to US$51.8 million.

Trading conditions in North America were already challenging before the emergence of COVID-19, which saw both OPS and Orora Visual results adversely impacted. As a result, earnings were down on the prior year. Both North American businesses expanded and accelerated their improvement programs during the second half of the financial year ended 30 June 2020. This resulted in continued improvement of the OPS gross margin and the Pollock integration delivered revenue opportunities in the Health and Safety segment during the second half.

Separately, the Orora Visual business has restructured and consolidated its site footprint in California. The near to medium term focus for both North American businesses is to accelerate the improvement programs, build capability and execute on digital enhancements.

The sale of Australasian Fibre

On 30 April 2020, Orora completed the sale of the Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co. Limited for $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million. The sale has enhanced Orora's strong balance sheet while also providing the opportunity to return significant proceeds to shareholders.

In determining the best use of the sale proceeds, the Board considered the Company's strong balance sheet, longer term uncertainty resulting from the COVID-19 pandemic and a desire to preserve optionality for potential growth initiatives.

Orora was pleased to return $600.0 million to shareholders following its first virtual general meeting held on 16 June 2020. The return comprised a special, partially franked (at a rate of 50%) dividend of $450.0 million (37.3 cents per share) and a capital return of $150.0 million by way of cash payment (12.4 cents per share) both completed during June 2020. Orora also undertook a consolidation of its shares, converting every share to 0.80 shares (5 shares became 4), following shareholder approval.

Reflective of the Board's confidence in Orora's fundamental value and its disciplined approach to capital management, it was announced at the 2020 Full Year results that Orora would undertake an on-market buyback of up to 10 percent of issued share capital (~96.5 million shares) to commence in September 2020. The current expected cash cost of the buyback is approximately $230.0 million.

Review of strategy

Orora completed a wide-ranging review of its activities globally. The Company is well-positioned for growth via improvements in its core businesses, increasing the focus on sustainability and innovation, and continuing to invest in initiatives that generate opportunity and value for customers and shareholders.

Orora's ambition is to be a leading provider of sustainable packaging solutions, leveraging the Group's core capabilities to target end-market segments with appealing growth and solid financial returns.

Divisionally, Orora is focused on expanding the breadth and depth of its market leading Australasian Beverage business. This activity will leverage the combination of the business' technical expertise in beverage container manufacturing and strong customer relationships. Orora will focus on enhancing and expanding its core products and services through further investment and innovation, as well as exploring entry into new market segments in Australia and New Zealand that are complementary to the current business. Longer term, Orora will explore expansion of the Beverage operating footprint into new markets.

In North America, there is significant market opportunity in both OPS and Orora Visual. As previously identified, and to manage the ongoing impact of COVID-19 on the US economy, the near-term focus remains on optimising the respective business models to drive efficiencies and to further enhance the customer value proposition, including through investment in digital capabilities. A return to exploring inorganic growth opportunities, to add products and services over time, will only occur once these businesses have returned to a more stable and sustainable platform.

Orora's strategy is expected to continue to generate strong cash flows from the core business operations. Further detail as to the refreshed strategy, shareholder value blueprint and Orora's long-term strategic ambition can be found on page 6 and 7 of this Annual Report.

Innovation is key

Orora is committed to operating in a way that is safe, innovative and sustainable. The Company's investment in each of these key areas is underpinned by team member expertise, customer insight and a view to long term value creation.

During the period, the business further enhanced its best in class Beverage manufacturing facility at Gawler, South Australia. The expansion of the Gawler Warehouse and inclusion of autonomous guided vehicles and the G2 furnace rebuild significantly enhances the productivity of this facility and efficiency of customer supply chains. The Beverage business also commissioned new printing and embossing technology in its Cans and Closures businesses to better meet customer desires for increased premiumisation and tailored packaging.

The Company also made its first investment in artificial intelligence in the OPS business by partnering with a Silicon Valley start up to build its first internal IT bot. The bot has assisted in reducing manual IT requests and shows the potential for this type of partnership to build other tailored solutions both for team members and customers in North America.

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A sustainable future

Orora is committed to becoming a leading sustainable packaging solutions provider. Sustainability is core to Orora's approach for reducing its impact on society and the environment, and maintaining the respect and support of its people and the communities in which it operates.

The Company's efforts are guided by a three pillar program of *People, Planet and Prosperity*, which aligns to its obligations as a signatory to the United Nations Global Compact (UNGC). Further information can be found in the Sustainability and Principal Risks sections of this Report.

Orora is a leader in large scale industrial recycling and continues to focus on ways it can reduce its impact by sourcing higher levels of recyclable and recycled product inputs. During the financial year ended 30 June 2020, the Company also actively engaged with State and Territory Governments in Australia to gain access to additional recycled glass at the Gawler Glass plant. As an active participant in the circular economy, which seeks to maximise the life of products and resources by reusing them, Orora's principal substrates, glass and aluminium, are inherently recyclable.

In addition, Orora continued to expand its renewable energy mix with the installation of several small-scale solar systems at its Gawler (warehouse), Ballarat and Dudley Park sites. The solar systems complement the work already undertaken to secure long-term power purchase agreements to supply wind generated electricity to Orora's operations across the South-Eastern states of Australia.

New five-year Eco Targets

This year, the Company was pleased to introduce new Eco Targets, building upon the initial five-year program to address target areas across North America and Australasia. The new targets will run until 30 June 2024 and continue to focus on improvements in greenhouse gas emissions, waste to landfill and water usage. While the focus areas are consistent with the previous Eco Targets that Orora successfully achieved by 30 June 2019, the new Eco Targets are measured as ratios against production related metrics. This reflects changes in stakeholder expectations as to how companies report on environmental performance and ensures that Orora's metrics are focused on the specific attributes of each of its divisions, providing greater scope for effective management.

Positive momentum in safety

The events of this year have reinforced the importance of safety, health and wellbeing at Orora. Management teams continue to monitor global government and health advice to ensure the Company's approach remains up to date.

More broadly, and in response to a global safety review completed in 2019, Orora launched a three-year targeted program to enhance safety, health and wellbeing across its businesses. Orora will deliver improved governance and safety management as well as an enhanced Serious Injury or Fatality Prevention Program.

This comprehensive focus has contributed to a significant reduction in Orora's global injury frequency rates over the past 12 months, positive momentum that must be maintained. Further information on the Company's approach to safety, health and wellness can be found in the Sustainability section of this Annual Report.

Helping those affected by the Australian Bushfires

Orora is also a proud contributor to the communities in which it operates. This is exemplified by the generous spirit of team members across all of Orora's regions who donated to the Orora Bushfire Appeal, established in January to support the rebuild and recovery of communities directly impacted by these devastating events in Australia. The team was pleased to be able to make a total donation of $179,042 to the Bushfire Appeal, comprising both employee and Company matching donations.

Board update

During the financial year ended 30 June 2020, the Board farewelled former Chair, Mr Chris Roberts; Director and Chair of the Human Resources Committee, Mr John Pizzey; and Managing Director and Chief Executive Officer, Mr Nigel Garrard. The Orora Board thanks Chris, John and Nigel for their stewardship of, and significant contribution to, the Orora business since listing in December 2013.

Mr Rob Sindel joined the Board in March 2019 and commenced as Chair of Orora on 12 February 2020.

Mr Tom Gorman was appointed to the Board on 2 September 2019 and has been recently appointed Chair of the Human Resources Committee.

Mr Brian Lowe commenced as Managing Director and Chief Executive Officer on 1 October 2019, having led both the Australasian Beverage and Fibre Packaging businesses since joining the Company in 2011.

The Board has recently established a new Safety, Sustainability & Environment Committee, chaired by Ms Abi Cleland, a reflection of the increasing significance and oversight of these critical areas at Orora.

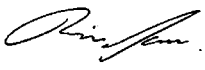
Looking ahead

Orora is in a strong position as it moves beyond the sale of the Australasian Fibre business, continues to mitigate the effect of COVID-19 and sets a course for its new strategic direction. While the year ended 30 June 2020 has certainly had its challenges, the leadership and camaraderie that has been demonstrated by Orora team members gives great confidence in the Company's ability to meet and overcome any future hurdles and to continue to successfully deliver value for shareholders. The Board wishes to sincerely thank Orora team members for their contribution.

Thanks also to Orora's shareholders, customers and suppliers for their valued support over the past year.



ROB SINDEL
Chairman



BRIAN LOWE
Managing Director and
Chief Executive Officer

AWARDS

Coca-Cola Amatil – 2020 Partner for Growth Awards – Supply Continuity Award – Orora Beverage

Allegion Management – 2019 Global Supplier Conference – Power Through Partnership Award Winner – Landsberg Orora

HP Mexico – 2019 Super Star Award for Outstanding Support – Landsberg Orora

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ORORA CORPORATE STRATEGY

Following the sale of its Australasian Fibre business, Orora is embarking on a new journey with a revised business strategy. The Company is well-positioned for growth through ongoing enhancements in the core business, increasing the focus on sustainability and innovation across the Company's portfolio, and continuing to invest in initiatives that generate additional opportunity and value for customers and shareholders.

Led by an experienced Board and executive team, Orora's ambition is to be a leading provider of sustainable packaging solutions, leveraging the Group's core capabilities while maintaining a disciplined focus on delivering value for all stakeholders. Every day, Orora strives to deliver packaging and visual communications solutions that exceed customers' expectations, and will continue to target end-market segments with appealing growth and financial return characteristics.

Divisionally, Orora is focused on expanding the breadth and depth of its market leading Beverage business. There is a desire to take further advantage of the Group's technical expertise in beverage container manufacturing and strong customer relationships by exploring expansion of the division's operating footprint.

Orora will evaluate organic and inorganic initiatives to add new products and capabilities that are complementary to the Beverage group's existing product portfolio and/or customer base.

In North America, there is significant market opportunity in both of Orora's operating businesses, namely OPS and Orora Visual. In order to best position these businesses to succeed in their respective markets, there is a focus on optimising their respective business models, generating further operating efficiencies and enhancing the customer value proposition, largely through investment in digital capabilities.

Orora's strategy is expected to continue to generate strong cash flows from the core business operations. Deployment of this cash flow will be a combination of distributions to shareholders in the form of dividends and share buybacks where the Board (and shareholders, if applicable) deems appropriate, investments in the core businesses, as well as strategic acquisitions that enhance Orora's product and service offering. Any future growth initiatives will be assessed in the context of a rigorous approach to capital allocation, ensuring that only value-adding investments that meet Orora's return criteria are pursued. To drive growth, this investment is supplemented by an ongoing focus on improving operational efficiency and is supported by increased innovation within the base businesses.





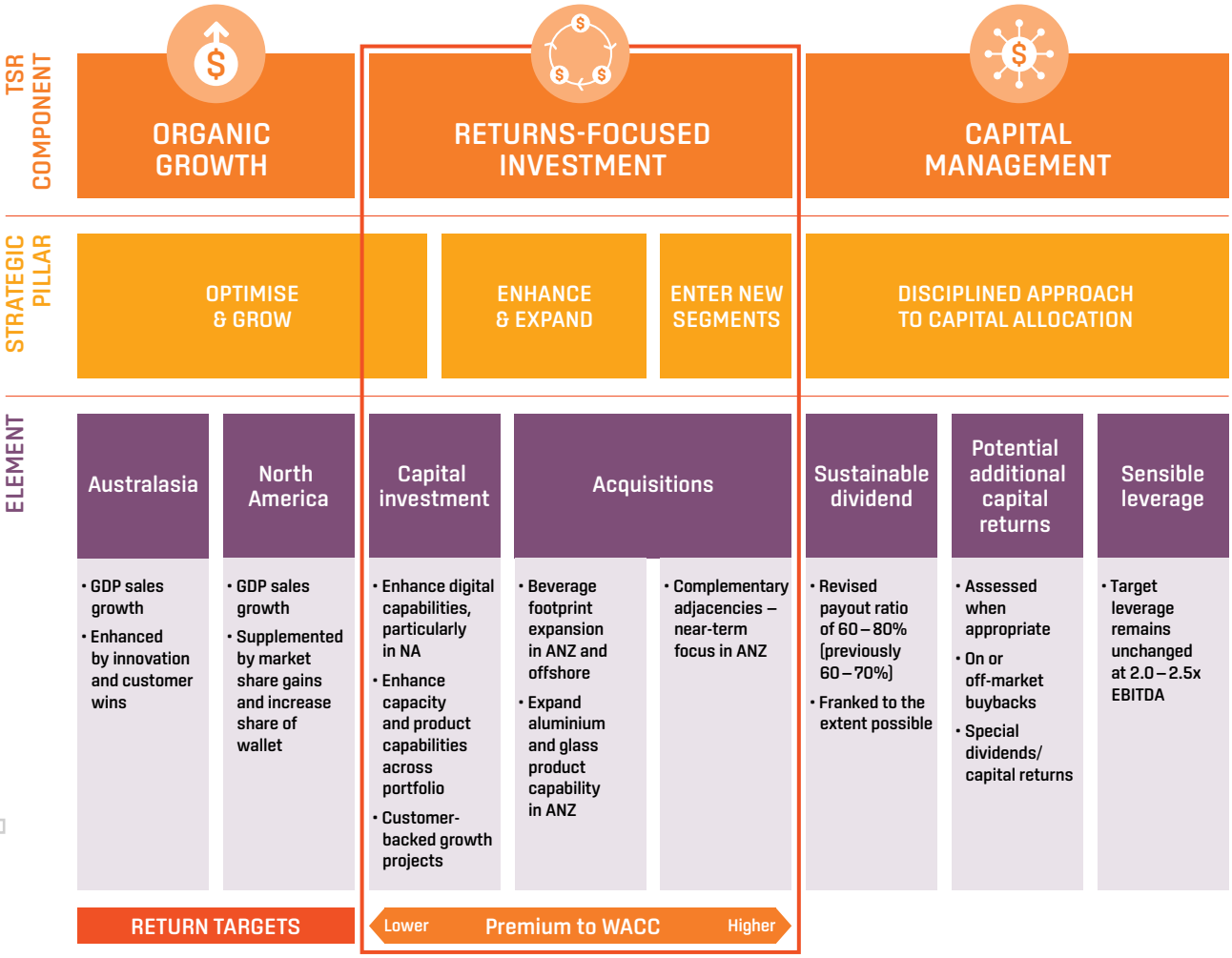
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Shareholder value blueprint

In Orora's revised business strategy, the Company has established three core strategic pillars, namely Optimise & Grow, Enhance & Expand and Enter New Segments, to take Orora forward. These pillars provide the basis for every aspect of strategic activity within the business, enabling Orora to capitalise on growth opportunities as they emerge. Any strategic initiatives need to be governed by continued discipline regarding the deployment of Orora's capital.

In executing on the Company's strategy, Orora is striving to generate top quartile TSR performance for its shareholders. The key elements which contribute to Orora's TSR performance are outlined in the Company's revised shareholder value blueprint below. This includes being disciplined in applying a return-focused, risk-weighted investment (for both capital projects and acquisitions) approach across each of Orora's three strategic pillars.

As the diagram shows, Orora will target a return that represents an appropriate premium to its weighted average cost of capital (WACC) based on the risk assessed with the investment. This forms part of a rigorous approach to capital allocation, allowing the Company to appropriately make investment decisions across each pillar.



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DURING A YEAR LIKE NO OTHER, ORORA PROVED THE RESILIENCE OF ITS BUSINESSES



At the beginning of 2020, the Orora team witnessed and responded to circumstances unlike any previously experienced.

With the emergence of the global COVID-19 pandemic, Orora was recognised as an essential service provider across Australia, New Zealand and North America.

Team members kept sites operating safely and ensured food, beverage and medical supplies continued to reach people around the globe.

Orora global team members working at sites implemented safety, health and wellbeing initiatives to protect one another and their communities. More than 2,000 of Orora's global team members transitioned to remote working.

Despite these challenges, Orora continued to improve its business by investing in capability and innovation by offering new and enhanced product (including medical) solutions for customers.

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INVESTING IN EXPANSION

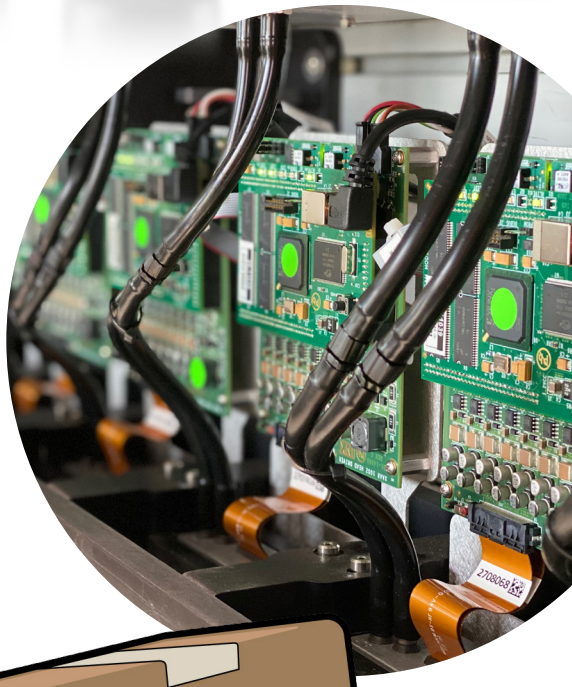
Orora successfully completed construction of a new $35.0 million warehouse, rebuilt the G2 glass furnace and upgraded the second forming line at its state-of-the-art facility in Gawler, South Australia. The new warehouse is equipped with autonomous Laser Guided Vehicles (LGVs), which deliver optimal efficiency, accuracy and enhanced safety. The LGVs operate by following over nine kilometres of QR codes which guide their movement 24/7. Orora now holds significantly greater inventory on-site, reducing offsite pallet storage and transportation costs as well as enhancing its responsiveness to customers. Orora is positioned to deliver consistent, high-quality supply from its Gawler facility to meet growing customer needs.





INVESTING IN NEW TECHNOLOGY

A new standalone embossing and printing machine was purchased and installed at the Closures Dudley Park site in South Australia. The high speed machine can emboss and print more than three times faster than prior models. The machine is equipped with a high resolution camera that can automatically detect and reject closures that do not meet Orora's high-quality standards. Similar investment was made at the Cans Dandenong site in Victoria, which commissioned a new digital printer during the first half of the financial year ended 30 June 2020. The investment enables Orora customers to exact colour match their designs from an increased range in colours, as well as print and refine within minutes. These investments deliver high-quality end results for customers and significantly enhance efficiency in production.



INVESTING IN ARTIFICIAL INTELLIGENCE

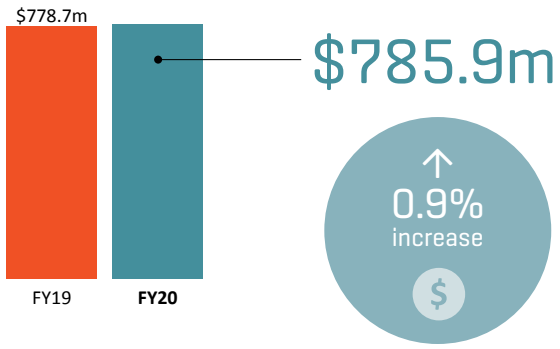
Innovation is at the core of Orora. In the financial year ended 30 June 2020, this underpinned the launch of the OPS Artificial Intelligence powered chatbot and digital personal assistant, Olivia. Olivia is a helpful little bot capable of performing many tasks. She can provide instant resolutions to many frequently asked questions and offers digital forms to initiate system access or to procure IT hardware/software, as well as serving as a concierge for IT requests. She can also assist with autonomous resolutions of services like password resets and is also able to assist with looking up information for co-workers. Olivia uses machine learning to continually refine her ability to understand and learn what you're asking for, as well as providing the response that answers your questions. Olivia loves to work 24/7 and will continue to learn more over the coming months to provide OPS with better service. She is powered by Moveworks, an exciting Silicon Valley tech start-up and complements Orora's experienced team by offering improved IT support.



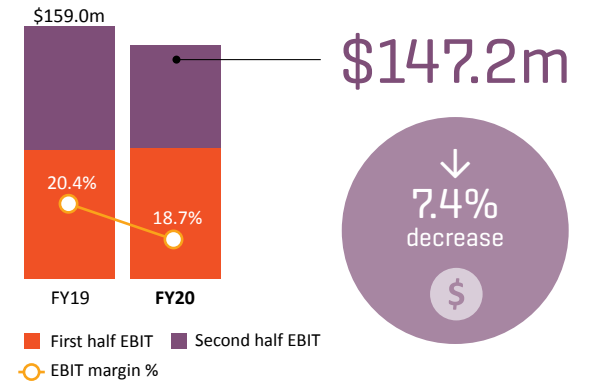
OPERATIONAL REVIEW ORORA AUSTRALASIA[1]

Following the successful sale of the Australasian Fibre business on 30 April 2020, Orora Australasia's ongoing business comprises the Orora Beverage group including Glass, Cans and Closures manufacturing.

SALES REVENUE (AUD million)



EBIT (AUD million)



Key points

- Overall, Australasia EBIT declined by $11.8 million to $147.2 million, and was 7.4% lower than the previous year.
- The decline in EBIT reflected the previously announced second half cost headwinds related to the G2 rebuild, increased gas prices and higher annual insurance costs.
- COVID-19 led to consumer pantry stocking, which caused volatility in volumes and unfavourable mix in both Glass and Cans. This also contributed to the decline in earnings.
- Return on Average Funds Employed was 27.0%, down slightly from 30.3% in the prior year, with lower earnings, recent capital upgrades and higher inventories leading to the decline.
- Economic conditions in Australia remain weak and uncertain, particularly in Victoria, due to the continuing impact of COVID-19.

EARNINGS[2]

AUD million	FY20	FY19	Change %
Sales Revenue	**785.9**	778.7	0.9%
EBIT[3]	**147.2**	159.0	(7.4%)
EBIT Margin %	**18.7%**	20.4%	
RoAFE[4]	**27.0%**	30.3%	

SEGMENT CASH FLOW

AUD million	FY20	FY19	Change %
EBITDA[5]	**192.3**	201.0	(4.3%)
Leases	**(6.1)**	–	
Non-cash Items	**21.0**	14.3	
Movement in Total Working Capital	**(35.1)**	(27.8)	
Base Capex	**(61.6)**	(28.1)	
Sale Proceeds	**9.5**	–	
Operating Cash Flow	**120.0**	159.4	(24.7%)
Cash Significant Items	**(20.6)**	(25.0)	
Operating Free Cash Flow	**99.4**	134.4	
Cash Conversion	**57.9%**	74.0%	

(1) The financial information provided below represents Orora's continuing Australasia operating segment. The comparative period FY19 has been restated to reflect FY20 presentation.

(2) As reported in the Segment Note contained within the Financial Statements, refer note 1.

(3) Earnings before interest, related income tax expense and significant items.

(4) Return on Average Funds Employed (RoAFE) is calculated as EBIT divided by average funds employed.

(5) Earnings before depreciation, amortisation, interest and related income tax expense and significant items.

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Impact of COVID-19

- Orora's Beverage businesses are classified as essential services in both Australia and New Zealand.
- In Cans, while volumes across the second half were higher than last year, the profile was different. This was driven by stronger volumes in the grocery channel in March/early April as the "stay at home" orders led to consumer pantry stocking. This demand slowed in late April/May and recovered to more normal levels in June.
- Glass sales volumes followed a very similar trend to Cans, especially in the beer segment. Overall, volumes in the fourth quarter were slightly down on the prior year, largely due to lower export wine volumes.

Beverage Cans

Volumes were higher than the previous year, underpinned by steady volumes in carbonated soft drinks (CSD) (including volumes transitioning from other substrates), growth in both mainstream (switch from glass) and craft beer segments. Volumes continued to increase in non-alcoholic beverages such as still and sparkling water.

Earnings were higher due to the increased sales volumes, however due to the volatility in volumes, operational efficiency was adversely impacted.

Beverage Glass

Overall volumes were down moderately on the prior year. Volumes were lower in some wine markets (largely export) and beer, offset in part by new customer wins in non-alcoholic beverages such as kombucha.

While there is an ongoing focus on operational cost improvement, this was more than offset by unfavourable product mix, the impact of increased insurance and gas prices and the earnings impact associated with the G2 rebuild. Earnings were lower than the prior year.

Beverage Closures

Volumes were lower, reflecting softness in some wine markets, resulting in a small reduction in earnings.

Innovation and growth update

In continuing best in class decoration and product differentiation, the Cans business commissioned a new state-of-the-art Digital Proofing Printer at Dandenong, Victoria. The Digital Proofing Printer materially improves the time taken to produce prototype designs and short run promotional products, enabling greater customer engagement and product customisation.

Investment has continued in the Industry 4.0 plant efficiency initiative. A data analytics platform, which was successfully piloted at a single site during the year, is now being rolled out to all Cans body sites to provide better data to problem solve and improve efficiencies.

In 2018, the Glass business committed ~$35.0 million to build a new warehouse at Gawler to enable Orora to hold inventory onsite and further reduce offsite pallet storage and transport costs. The project was completed on time and on budget in December 2019, with final commissioning of autonomous pallet stacking vehicles completed in the second half of the financial year ended 30 June 2020. The investment will reduce the cost of offsite storage and cartage. These benefits were gradually realised through the second half, with the full benefit to be achieved in the financial year ending 30 June 2021.

While G2 was offline, the second forming line (first line was upgraded in 2017) was also upgraded for a cost of ~$10.0 million. This will add approximately 10 million bottles of annual capacity.

Orora continues to invest in capacity and innovation to produce best in class products and services. At Glass, approximately $200.0 million has been invested in the world class Gawler facility over the last five years, including the G2 furnace rebuild, capacity expansions, mould insourcing, system upgrades and on-site, highly automated warehouse capacity.

At Cans, lines have been upgraded in Auckland to produce multi size products, while the decoration and differentiation capability is market leading. Cans continues to explore several innovative concepts in aluminium containers.

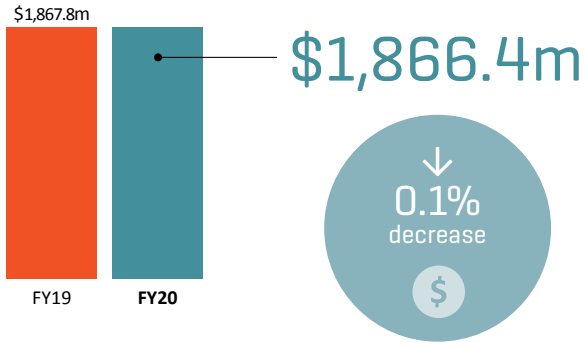
With the positive outlook for can volume growth and with the support of customers as appropriate, a range of plant upgrades or capacity expansions are likely to be made in the medium term.

OPERATIONAL REVIEW ORORA NORTH AMERICA

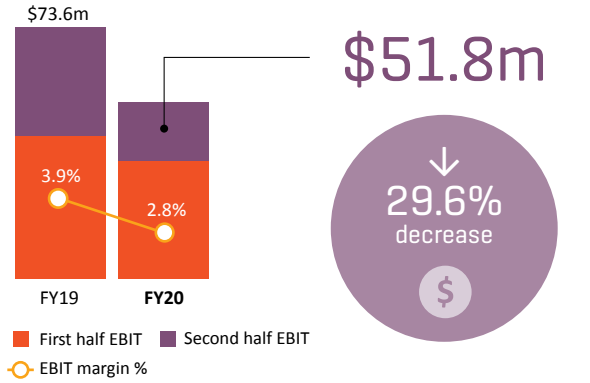
Orora North America had stable revenue in local currency terms. EBIT was down due to generally tough market conditions.

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SALES REVENUE (USD million)



EBIT (USD million)



Key points

- North America's reported EBIT declined 25.0% to $77.1 million.
- In local currency terms, EBIT declined 29.6% to US$51.8 million. The estimated net impact of COVID-19 in North America was ~US$15.0 million. This is a result of market conditions impacting volumes and EBIT margins in OPS while Orora Visual revenue (excluding the closed LA site) declined ~35.0% in the fourth quarter as retail customers were impacted by store closures. These combined with other factors flowed through to the EBIT margin which was lower at 2.8% (3.9% in the prior year).
- Sales were flat at US$1,866.4 million. Net organic sales were down in OPS, while sales also declined in Orora Visual. The acquisitions of Pollock Packaging (Pollock Orora) and Bronco Packaging (Bronco) in the prior year provided all of the net revenue growth for the year.
- Revenue synergy realisation from the Texas based Pollock Orora was accelerated during COVID-19 by leveraging supply lines and introducing a range of Health and Safety based products across the broader Landsberg business.
- Operating Cash Flow was in line with expectations at $49.9 million, down from $83.1 million in the prior year, with cash conversion also declining to ~47.0%. The decrease in cash conversion was driven by increased working capital by electing to pay suppliers early to take advantage of settlement discounts (~US$30.0 million), offset by reduced capital spend as the businesses focused on organic earnings improvement programs.
- RoAFE declined by 360bps to 9.0% in line with lower earnings.

EARNINGS[1]

AUD million	FY20	FY19	Change %
Sales Revenue	**2,780.3**	2,611.5	6.5%
EBIT[2]	**77.1**	102.8	(25.0%)
EBIT Margin %	**2.8%**	3.9%	
RoAFE[3]	**9.0%**	12.6%	

USD million	FY20	FY19	Change %
Sales Revenue	**1,866.4**	1,867.8	(0.1%)
EBIT	**51.8**	73.6	(29.6%)

SEGMENT CASH FLOW

AUD million	FY20	FY19	Change %
EBITDA[4]	**157.5**	135.9	15.9%
Leases	**(59.8)**	–	
Non-cash Items	**8.5**	(8.3)	
Movement in Total Working Capital	**(33.9)**	(17.7)	
Base Capex	**(22.8)**	(28.5)	
Sale Proceeds	**0.4**	1.7	
Operating Cash Flow	**49.9**	83.1	(40.0%)
Cash Significant Items	**(21.6)**	–	
Operating Free Cash Flow	**28.3**	83.1	
Cash Conversion	**46.9%**	65.1%	

(1) As reported in the Segment Note contained within the Financial Statements, refer note 1.
(2) Earnings before interest, related income tax expense and significant items.
(3) Return on Average Funds Employed (RoAFE) is calculated as EBIT divided by average funds employed.
(4) Earnings before depreciation, amortisation, interest and related income tax expense and significant items.

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COVID-19 impact

- Both OPS and Orora Visual are classified as essential services.
- The impact of COVID-19 on North America was materially greater than that felt in Australasia.
- The businesses successfully managed the safety of Orora's people and continued to provide effective service to customers while focusing on a realignment of operating costs commensurate with prevailing volumes, with performance recently stabilising across both businesses.

Orora Packaging Solutions

OPS delivered constant currency revenue growth of approximately 3.4%, all from the acquisitions of Pollock Orora and Bronco, with underlying revenues down on the prior year. This was largely a reflection of challenging market conditions experienced as a result of COVID-19.

EBIT was lower than the prior year.

Pleasingly, the gross margin percentage continued to improve throughout the year, however the reduction in volumes resulted in lower earnings. Underlying EBIT margins declined to 3.1% from 4.1% in the prior year but were in line with the second half of 2019, on lower revenue.

The EBIT margin decline compared to the prior year was the result of generally tough market conditions, exacerbated by the revenue declines as a result of COVID-19.

OPS improvement program

The comprehensive OPS improvement program announced in August 2019 was supplemented with further initiatives across all facets of the business with a focus on adapting the product offering, preserving and growing volume with existing and new customers, margin improvement and efficiency/cost reduction. Many of these initiatives have proven successful, with further activity continuing.

Examples included:

- The total workforce was reduced by approximately 200
- An OPS-wide price increase (mainly cost recovery in nature) was implemented with negligible customer resistance
- Sourcing and procurement of high demand products such as masks, gloves, sanitiser and janitorial products though Pollock Orora
- Modified work schedules, access to the Federal Government's CARES program (no EBIT impact), furlough of team members and the elimination of all overtime and discretionary spending such as travel
- Gross margin improvement initiatives are continuing to positively impact with the exit rate percentage ~60 bps higher than the prior corresponding period. This is being enabled by the ongoing optimisation of the ERP implementation, which has enhanced decision making on price, procurement and costs to serve.

Orora Visual

While Orora Visual's first 9 months of the financial year were relatively consistent, the impacts of COVID-19 were felt immediately from late March, with retailers closing stores and many promotional resets being deferred.

Fourth quarter revenue declined by ~35.0% on the prior year and the business recorded a loss of approximately US$5.0 million for the year.

There are opportunities to drive profit growth and improve returns, however the immediate focus is on reducing costs while simultaneously positioning to rebuild revenue growth as end markets recover.

In addition to resetting costs across the business, the Orora Visual Los Angeles site has been closed. With the loss of customers in the entertainment segment during the first half of the financial year ended 30 June 2020 and COVID-19 related closure of cinemas nationwide, Orora Visual has consolidated its west coast operating footprint to Orange County. The consolidation maintains consistent capabilities across the country and will create synergies for the Californian footprint.

In terms of revenues, Orora Visual has been able to pivot and provide COVID-19 related signage and secured some new customer wins in the large supermarkets segment. Defensive end segments including food, beverage, horticulture and education now represent over 60% of the revenue base.

Innovation and growth update

The OPS improvement program initiatives will continue with incremental benefits expected. The journey to previously experienced EBIT margins will take time, but the increase in gross margin percentage, even during COVID-19, supports the work undertaken to date.

OPS is investing in a new digital platform to replace legacy web portals to encourage better customer engagement by offering customised products via digital channels. This platform is expected to be live by the third quarter of the financial year ending 30 June 2021. OPS has continued to integrate new talent into the business with new senior leaders recently joining and more expected in the year ahead. While temporarily disrupted by COVID-19, the integration of Pollock Orora continues. The delivery of revenue synergies in the Health and Safety segment across Landsberg ahead of schedule has been positive.

Orora Visual continues to build its value proposition to serve national customers with a consistent point of purchase, visual communications and fulfilment offering across multiple locations. A new fabric line was commissioned in Orange County in the first half and a second line was commissioned in New Jersey in the second half to supplement the existing line at that location. These fabric lines are gaining traction, with high levels of utilisation booked through the first half of the financial year ending 30 June 2021. Orora Visual continues to invest in digital technology including Customer and Consumer Engagement capability and print on demand solutions.

FINANCIAL REVIEW SUMMARY

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INCOME STATEMENT[1]

AUD million	2020	2019
Sales revenue	**3,566.2**	3,390.2
Earnings before depreciation, amortisation, interest, related income tax expense and significant items	**349.8**	336.9
Depreciation and amortisation	**(125.5)**	(75.1)
Earnings before interest, related income tax expense and significant items	**224.3**	261.8
Significant items	**(137.2)**	(69.3)
Earnings before interest and related income tax expense	**87.1**	192.5
Net financing costs	**(50.5)**	(39.4)
Income tax expense	**(9.0)**	(36.6)
Profit for the financial period from continuing operations	**27.6**	116.5

BALANCE SHEET[2]

AUD million	2020	2019
Cash	**107.3**	70.3
Other current assets	**948.3**	1,375.9
Property, plant and equipment[3]	**889.0**	1,765.5
Intangible assets	**435.8**	614.7
Investments and other assets	**119.6**	91.8
Total assets	**2,500.0**	3,918.2
Interest-bearing liabilities[3]	**678.8**	960.3
Payables and provisions	**789.2**	1,313.4
Total equity	**1,032.0**	1,644.5
Total liabilities and equity	**2,500.0**	3,918.2

CASH FLOW

AUD million	2020	2019
Earnings before depreciation, amortisation, interest, related income tax expense and significant items	**349.8**	336.9
Right-of-use asset lease payments[4]	**(66.0)**	–
Non-cash items	**29.5**	6.0
Movement in total working capital	**(69.0)**	(45.5)
Net capital expenditure	**(74.5)**	(54.9)
Underlying Operating Cash Flow	**169.8**	242.5
Cash significant items	**(42.1)**	(25.0)
Operating Free Cash Flow	**127.7**	217.5

(1) Represents continuing operations only, as reported in the Segment Note contained within the Financial Statements (refer note 1) with the exception of net unallocated financing costs and income tax expense which is not included in the Segment Note.

(2) IFRS compliant information extracted from the audited Financial Statements.

(3) The Group has initially applied AASB 16 *Leases* from 1 July 2019, refer note 7.8 of the Financial Statements. As a result, property, plant and equipment for FY20 includes $217.3 million relating to right-of-use assets, interest-bearing liabilities includes $279.4 million of lease liabilities.

(4) Operating Free Cash Flow includes lease payments relating to right-of-use assets and is as reported per the Segment Note in the Financial Statements (refer note 1).

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Revenue

Sales revenue of $3,566.2 million was up 5.2% on the prior financial year.

Sales in Australasia increased 0.9%. Volume and revenue grew in Cans, while Glass volumes and revenues were marginally lower when compared to the prior corresponding period.

OPS increased revenue by 3.4% in local currency terms, primarily from the acquisition of Pollock Orora, which completed in December 2018. Underlying sales volumes were down compared to the prior corresponding period. Revenue declined in Orora Visual.

There was a $170.7 million positive FX impact on US dollar denominated North American sales, on the prior financial year.

Earnings before interest and tax

During the period, EBIT decreased by 14.3% to $224.3 million, excluding the significant item expense comprising restructuring and impairment charges in North America.

The earnings decline was as a result of cost headwinds in Australia and weak market conditions and COVID-19 impacts in North America, which were partially offset by stronger Cans volumes and earnings, delivery of profitability improvement initiatives in OPS and acceleration of synergies from Pollock Orora related to the Health and Safety segment.

Significant item expense

Restructuring and impairment

In May 2020, the Group announced that the COVID-19 pandemic was adversely impacting the earnings of the business by approximately $25.0 million, with approximately 90.0% of the disruption occurring in the Group's operations in North America, which supplies and services retail, entertainment and convenience markets.

While the Group worked hard to mitigate the impact of COVID-19, and the majority of Orora's businesses have been resilient during the pandemic, many of the end market segments serviced by the Orora Visual business were significantly impacted with widespread closure of retailers and many customers deferring promotional activities. As a result, Orora has recognised an asset impairment charge of $106.2 million relating to the Orora Visual business.

The Group has also recognised a significant item expense of $31.0 million relating to restructuring and impairment charges in North America. This expense includes costs associated with the closure of the Orora Visual Los Angeles site as part of a rationalisation of the Californian footprint.

Balance sheet

The decrease in other current assets was largely driven by the receivables, inventory and other current assets included in the sale of the Australasian Fibre business. Collections performance across the continuing businesses improved, which combined with lower sales activity in North America in the fourth quarter, reduced overall receivable balances. These reductions were partially offset by tax instalments paid in advance, inventory builds to maintain continuity of supply in COVID-19 environment as well as to support growth in Cans and the unwinding of some working capital financing. The impact from foreign currency translation was an increase of $9.6 million.

The decrease in net property, plant and equipment (PP&E) was largely attributable to the disposal of the Australasian Fibre business. Capex for the continuing operations was $112.4 million which included spend on a new warehouse development, the G2 rebuild and upgrade of a forming line at Glass, a flexo folder gluer in OPS and fabric printing equipment in Orora Visual to harmonise and expand the service offering. Depreciation for the continuing business during the period was $67.5 million. The impact of foreign currency translation on PP&E was negligible.

Intangible assets decreased due to impairments, largely at Orora Visual while $78.7 million of intangible assets were included with the sale of Australasian Fibre business, this was partly offset by investments in digital platforms and software upgrades. The impact of foreign currency translation was an increase of $12.5 million.

The introduction of AASB16 *Leases* has meant that Right of Use (ROU) Assets and Lease Liabilities are now brought onto the balance sheet (effective 1 July 2019). ROU Assets of $217.3 million largely relates to the North American businesses, with very few leases in Australasia.

Net debt decreased by $597.9 million, primarily as a result of the net proceeds of the sale of Australasian Fibre business, partially offset by ~$600.0 million of capital management, heightened capital at Gawler, FX on repayment of US denominated debt, increased inventory to support the Cans business, taking advantage of early payment discounts in OPS, the unwinding of some working capital financing arrangements and working capital builds in the divested Australasian Fibre business which will largely be returned to Orora during the financial year ending 30 June 2021. The impact of foreign currency translation was an increase of $27.6 million. The decrease in payables and provisions was driven primarily by the sale of Australasian Fibre business as well as taking advantage of early payment discounts in OPS. The impact of foreign currency translation was an increase of $8.3 million.

ROU Liabilities of $279.4 million largely relates to the North American businesses, with very few leases in Australasia.

Cash flow

Lower earnings were converted into cash as forecast with operating cash flow of $169.8 million, this was down 30.0% on the comparative period.

Cash conversion of 54.2% was lower than 70.7% reported in the prior year.

A summary of the main cash flow movements included:

- A decrease in cash EBITDA (sum of EBITDA and non-cash items), in line with lower earnings
- Inventory build to support the Cans business volume growth and ensure continuity of supply to customers in the event of supply risk in light of COVID-19
- Early payment of payables in North America to capture settlement discounts and unwind of some supplier financing arrangements in Australia
- Gross capex which was approximately 167.0% of underlying depreciation, with the G2 rebuild of ~$50.0 million being a major contributor to the heightened capital investment.

Working capital

During the financial year ended 30 June 2020, the average total working capital to sales was 8.3% (8.4% in the prior year), with year-on-year sales moving in line with average working capital.

The Management target for average total working capital to sales is less than 10% in the medium term and remains an area of focus across the business.

FINANCIAL REVIEW SUMMARY

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Capital management

Orora returned ~$600.0 million, or 49.7cps to shareholders in June 2020, comprising two components:

- capital return of A$150.0 million – 12.4 cents per share
- special dividend of A$450.0 million – 37.3 cents per share (50% franked)

At the same time, an equal and proportionate share consolidation of ~0.8 shares for every one share (i.e. 5 shares became 4) was undertaken, to adjust Orora's number of shares for the quantum of the cash return.

Orora will commence an on-market buyback in September of up to 10.0% of total shares on issue (~96.5 million shares), with an expected cost totalling ~$230.0 million.

Corporate

Corporate costs have been allocated to the continuing business segments with prior year's figures being restated for comparison.

Ongoing Corporate costs are expected to reduce commensurate with those previously allocated to the Australasian Fibre business. Accordingly, the expectation is there will be minimal stranded costs.

During the year, the Group entered several new bilateral facilities:

- a $25.0 million bilateral facility due to mature in March 2021
- a $35.0 million bilateral facility due to mature in April 2021
- a $35.0 million bilateral facility due to mature in January 2022.

There were no material changes to banking counterparties or commercial terms across these facilities.

A part repayment of US$7.0 million was made to USPP debt holders.

After the completion of the sale of the Australasian Fibre business, Orora also cancelled or reduced several of its facilities, including:

- cancelling a $50.0 million bilateral facility that was due to mature in September 2020
- reducing the USD revolving facility due to mature in April 2024 from US$300.0 million to US$150.0 million
- reducing the revolving multicurrency facility due to mature in April 2022 from $450.0 million to $350.0 million.

Orora has substantial headroom within current facilities and does not have any material maturities until April 2022.

Petrie decommissioning

The decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies. The Group continues to use a specialist environmental consulting firm to manage the completion of the remaining remediation works. At the date of this Report, decommissioning work continues on site, with the estimated costs to complete the decommissioning contingent on final remediation requirements.

Discontinued Business

Sale of the Australasian Fibre business

On 30 April 2020, Orora successfully completed the sale of its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0 million. Completion marked a new era for Orora, where it retained its market leading Australasian Beverage business, with a history of sustained growth, innovation and profitability, and its North American packaging solutions and visual businesses, OPS and Orora Visual. The sale of the Australasian Fibre business provides an important opportunity for Orora to assess and shape the strategic path ahead for the Company. The details of the financials for the discontinued Australasian Fibre business and its operations are set out on page 110 to 112 of this Report.

DISCONTINUED OPERATIONS

AUD million	2020[1]	2019
Sales Revenue	**1,092.9**	1,371.3
EBIT[2]	**64.8**	73.5
EBIT Margin (%)	**5.9**	5.4

(1) Represents the period 1 July 2019 to 30 April 2020

(2) Earnings before interest, related income tax expense and significant items

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PRINCIPAL RISKS

Orora actively manages a range of principal risks and uncertainties with the potential to have a material impact on the Orora Group and its ability to achieve its strategic and business objectives. While every effort is made to identify and manage material risks, additional risks not currently known or detailed below may also adversely affect future performance. Orora's principal risks are outlined below in no particular order.[1]

Area of Materiality	Risk	Mitigation and Monitoring Strategies
Workplace Safety and Health	Workplace safety and health events may have the potential to adversely affect Orora's team members and operations.	Orora's commitment to keeping people safe and healthy is paramount and is a core value. Orora's senior leadership team and Board regularly review safety performance and improvement strategies and activities across the business. Further information regarding Orora's commitment to safety and health and response to COVID-19 is set out in the Sustainability section of this Report.
Business Interruption and Disruption (including cyber risk)	Orora operates numerous sites across a number of countries. Circumstances such as natural disaster, pandemic, cyber breaches, operational failure or industrial disruption may occur, which may preclude key sites from operating. In these circumstances, operational and financial performance may be negatively impacted.	Orora undertakes business continuity and disaster preparedness planning for strategically important sites and functions. This includes continuously monitoring and, as appropriate, enhancing information security capabilities to keep pace with the evolving nature and sophistication of cyber threats. Orora's Information Security team, established in December 2018, has been enhancing Orora's preparedness for cyber attacks both through implementing new tools and a cyber awareness program to all team members. The COVID-19 pandemic has provided a real opportunity to test the robustness of Orora's business continuity processes including safety, supply chain, talent and customer preferences. It gave assurance that the plans and processes in place are effective in responding to such risks. Orora also engages in continuous identification, review and mitigation of property risks, as well as independent loss prevention audits and has a suitable insurance program in place. Insurances are reviewed annually.
Economic Conditions	Orora is susceptible to major changes in macro-economic conditions globally or in a single country, region or market. Sudden and/or prolonged deterioration in the economy may impact the value chain or industries on which Orora is dependent and could have a material negative impact on operational and financial performance.	Orora seeks to mitigate the severity of impact that deterioration in macro-economic conditions may have by: • operating businesses that have a broad spread of geographic locations, raw material inputs and customers servicing a number of end markets • deploying an operating model that focuses on continually improving the value proposition to customers • creating and maintaining a high-performance culture • remaining disciplined in cash and cost management • continuing to invest in manufacturing capabilities and innovation to improve cost positions.
Competition	Orora operates in highly competitive markets with varying barriers to entry, industry structures and competitor motivational patterns. The actions of established, new or potential competitors may have a negative impact on financial performance.	Orora is well-placed to leverage both its regional experience and insight, and its international footprint and scale, to deliver new ideas and value propositions to customers to gain competitive advantage. Orora also continuously focuses on quality and innovation as a source of competitive advantage.
Supply Chain	Disruption to Orora's supply chain caused by an interruption to the availability of key components, raw materials, energy supply, or by technology failure may adversely impact sales and/or customer relations, resulting in unexpected costs. Orora's businesses are sensitive to input price risks, specifically energy and other commodities, in various forms and with varying degrees of impact. Although Orora seeks to mitigate these risks through various input pricing strategies and pass-through mechanisms, there is no guarantee that Orora will be able to manage all future energy and commodity price movements. Failure to do so may adversely affect Orora's operations and financial performance.	Orora's approach to supply chain risk management is multi-faceted and includes: • implementing a multi-sourcing strategy for the supply of raw materials • customer contracts that provide for regular and timely pass-through of movements in raw material input costs • input pricing strategies including active monitoring of input prices • supplier due diligence and risk management including a supplier assurance framework and code of conduct • a focus on innovation in sustainable energy sourcing and pricing including entering long-term renewable energy power purchase agreements.

(1) Environmental and social sustainability risks that are not currently considered material are referred to in the Sustainability section of this Annual Report.

PRINCIPAL RISKS

Area of Materiality	Risk	Mitigation and Monitoring Strategies
Climate Change	The physical and non-physical impacts of climate change may affect Orora's assets and productivity. Climate change may present risks arising from extreme weather events affecting business operations and certain customer segments, along with the introduction of new laws and government policies designed to mitigate climate change. These could impact the future profitability and prospects of Orora.	Orora is mitigating its contribution to climate change through its CO_2 emissions reduction Eco Targets focusing on energy efficiency and its participation in renewable electricity markets and, where appropriate, co-generation investments. Further information is available in the Sustainability section of this Annual Report. In addition, as set out above, Orora continuously reviews operating and capital expenditure plans to mitigate its customer risk, and operating businesses that have a broad geographic spread and customers serving a number of end markets.
Talent	Orora's operating and financial performance is largely dependent on its ability to attract and retain talent and, in particular, key personnel. Any loss of key personnel could adversely affect operating and financial performance.	Orora's strategic Human Resources (HR) priorities aim to create an inclusive culture that optimises diversity of background and thought, by attracting and retaining the best talent in the market. A high-performance culture is encouraged by setting challenging objectives and rewarding high performers, while succession planning is undertaken to develop leadership talent. Orora believes this strategic approach to HR management provides a tangible source of competitive advantage. Remuneration is competitive in the relevant employment markets to attract, motivate and retain talent, and is aligned with business outcomes that deliver value to shareholders.
Customers and Consumer Preferences	Orora has strong relationships with key customers for the supply of packaging and Point of Purchase products and related services. These relationships are critical to Orora's success. The loss of a key customer may have a negative impact on financial performance. Changes in consumer preferences may result in some of Orora's existing product range becoming obsolete or new products not meeting sales and margin expectations. Consumer preferences may be influenced by regulation change and climate risk (both these risks are separately listed in this Principal Risks section).	The key to mitigating customer risk is Orora's commitment to being the industry-leading customer focused sustainable packaging solutions company. This is embedded in Orora's promise to its customers. In addition, no single customer generates revenue greater than 10% of total revenue for the Orora Group. Orora's commitment to innovation, and its strong relationships with its customers, seeks to address evolving consumer preferences. Orora continuously reviews operating and capital expenditure plans to mitigate customer risk or changing consumer preferences.
Mergers and Acquisitions (M&A)	Orora's growth opportunities are dependent, in part, on disciplined selection and successful integration of acquisition targets that are consistent with the Group's strategy. Failure to be disciplined in selection, effective at integration or focused on capturing value could impact operations and have adverse consequences for the achievement of expected financial benefits.	The Group has an established M&A framework that imposes rigour in target selection, approval, due diligence, integration planning and post-acquisition value capture. In addition, Orora's management team possess experience in undertaking M&A activity and executing the integration process. Where deemed necessary, the Group will utilise the services of external advisers to supplement internal resourcing to successfully execute and integrate acquisitions.
Country and Regulatory Risk	Orora predominantly operates in Australia, New Zealand and the United States under a broad range of legal, accounting, tax, regulatory (including environmental) and political systems. The profitability of Orora's operations may be adversely impacted by changes in fiscal or regulatory regimes including tax policies, difficulties in interpreting or complying with the local laws of the countries in which Orora operates and reversal of current political, judicial or administrative policies, including as a result of geopolitical tensions. Orora's customers, many of which operate across a broad range of countries, are subject to regulatory risk in various jurisdictions, which may have an impact on their operations and consequently Orora's operations.	Orora continually monitors changes or proposed changes in regulatory regimes that may have an impact on Orora and, where appropriate, engages consultants and advisors to address specific issues. Where possible, Orora appoints local management teams that bring a strong understanding of the local operating environment and strong customer relationships. Orora also has a global compliance training program and its business leaders regularly review country and regulatory risk. Orora's tax affairs are governed by a tax risk framework that is approved, reviewed and reported against, by the Audit, Risk & Compliance Committee of the Board. Tax risks are actively monitored and managed.
Litigation	As is the case with all organisations, Orora is exposed to potential legal and other claims or disputes in the ordinary course of business, including contractual disputes and other claims.	Orora takes legal advice in respect of such claims and, where relevant, makes provisions and disclosure regarding such claims in its financial statements. There are no current undisclosed claims or disputes of a material nature.
Financial and Treasury	Orora faces a variety of risks arising from the unpredictability of financial markets, including the cost and availability of funds to meet its business needs and movements in interest rates, foreign exchange rates and commodity prices.	Orora's Treasury function adopts financial risk management policies approved by the Board. Appropriate commercial terms are negotiated and derivative financial instruments are used, such as foreign exchange contracts and interest rate swaps, to hedge these risk exposures. In addition, where possible, Orora will proportionally draw down debt in currencies that align with the proportion of assets in those same currencies, thereby creating a natural hedge.

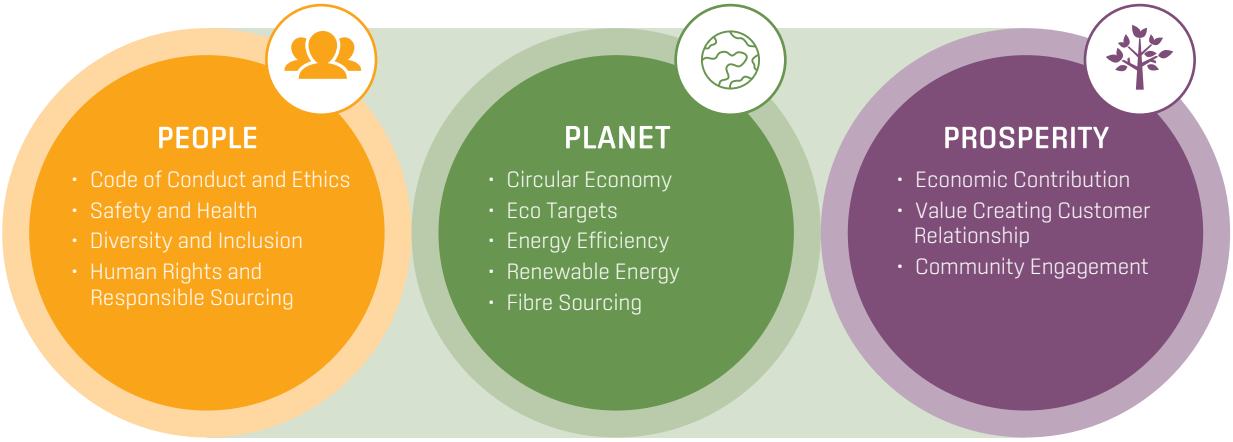
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ORORA'S APPROACH TO SUSTAINABILITY

During the financial year ended 30 June 2020, Orora continued to emphasise the three pillars of its Sustainability program: *People*, *Planet* and *Prosperity*.

A central part of this approach is the launch of a new set of Eco Targets to build on the success of the previous five year targets met in the financial year ended 30 June 2019. The new Eco Targets are for the period 1 July 2020 to 30 June 2024 and will continue to focus on greenhouse gas emissions, waste to landfill and water usage. Efficiency improvement to better reflect expectations for environmental disclosure will be emphasised.



Orora's approach and governance

Orora's approach to its *People, Planet* and *Prosperity* pillars is framed by its obligations as a signatory to the United Nations Global Compact (UNGC), and informed by work undertaken in 2015 and 2018 to understand the external and internal sustainability risks and opportunities for Orora's activities.

Orora's ongoing commitment to assessing opportunities and exposure to material risks is in accordance with the ASX Corporate Governance Council's Recommendation 7.4, including any exposure to environmental, social or climate change risks, as recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)[1]. The 2018 review, re-examined in 2019, determined that Orora does not have a material exposure to environmental, social or climate change risks at this time. Detail on the Company's assessment of material risks, including economic risks, is set out separately in the Principal Risks section of this Report.

Orora's sustainability activity is overseen by the Board of Directors, the newly formed Safety, Sustainability & Environment Committee and the Executive Leadership Team, with regular updates provided to the Board.

Reporting Orora's approach

Orora reports on its annual sustainability activity via *Communication on Progress* to the UNGC, which outlines its activities to further implement the Covenants Principles on human rights, labour, environment and anti-corruption. Orora continued to support the CDP[2], voluntarily disclosing information under the Climate, Water and Forest Risk CDP sections. As part of its commitment to sustainable operations, Orora improved its scores from the previous year, achieving a B for climate, B- for water and B- for forest risk. As a signatory to the Australian Packaging Covenant (APC), Orora provided its annual report during the financial year ended 30 June 2020 and was again assessed as being in the Leader category.

(1) Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. Source: *Corporate Governance Principles and Recommendations*, Australian Securities Exchange Corporate Governance Council (3rd edition), 2018 and (4th edition), 2019.

(2) CDP, formerly known as the Carbon Disclosure Project.

ORORA'S APPROACH TO SUSTAINABILITY

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People

Code of Conduct, Ethics and grievance mechanisms

During the financial year ended 30 June 2020, the Orora Code of Conduct and Ethics Policy was refreshed to ensure compliance with the Australian legislative whistleblower protections regime.
The Code of Conduct emphasises a strong culture of integrity and ethical conduct in association with independent Anti-Bribery and Anti-Corruption and Whistleblower policies. The policies cover expectations on a broad range of issues, including environmental management, safety and health, human rights, community engagement, political donations and participation, use of information and its security, market disclosure, fraud, bribery, corruption and the avoidance of conflicts of interest. Team members and other third parties (including suppliers) can report reasonably suspected misconduct or an improper state of affairs or circumstances within the Company, including unethical/ illegal behaviour, coercion, harassment or discrimination, fraud or corrupt practices, or workplace safety or environmental hazards through eligible recipients noted in the Company's Whistleblower policy, including through an independent third party integrity reporting service.

Safety and health

The safety, health and wellbeing of all Orora team members and co-workers is paramount and Orora continues to invest in safety to drive improved performance across the business. Particular areas of focus have followed from the global safety review, which was completed at the start of the financial year ended 30 June 2020 by independent safety consultants, which benchmarked Orora across a range of criteria globally. As a result, Orora commenced a three year program to continue improvement in safety, health and wellbeing across the business.
The program is initially focused on three core areas across the entire business:

- broaden and focus the Governance System
- restructure the Safety Management System
- enhance the Serious Injury or Fatality Prevention Program.

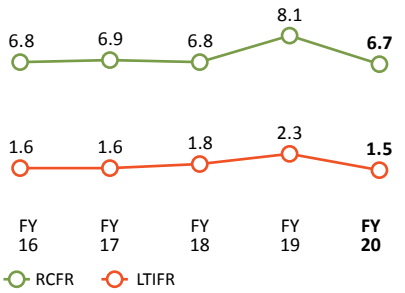
Positive progress is being made to implement plans and actions for these initiatives. Orora will roll out the third element of its safety focus during the current financial year, a re-energised Serious Injury and Fatality Prevention program across all sites and continue developing and deploying high risk safety procedures which include Traffic Management, Isolation, Plant and Equipment, Permit to Work, Prevention of Falls and Machine Guarding.

A further two initiatives will be implemented as part of a second phase focusing on knowledge and skills around organisational safety transformation and exposure management, and training on "Making Safe Decisions".

Injury rates reduced

With its focus on enhanced systems and governance, Orora has achieved a tangible reduction in its injury rates over the past 12 months due to its continued focus on its strategic safety priorities.

Orora Group Safety Performance[1]



Safety during COVID-19

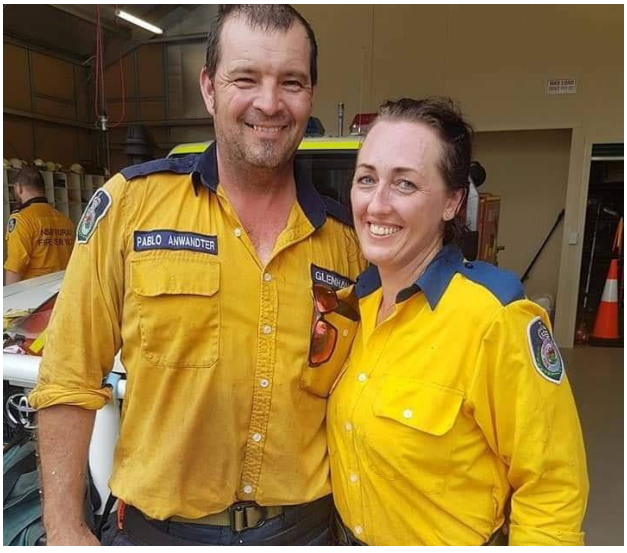
During the second half of the financial year, and with the emergence of the COVID-19 pandemic, Orora was swift to implement a range of safety and health measures to respond and mitigate any risk of transmission into and at Orora's sites and workplaces.

These measures included a review of policies and procedures, additional site audits and the introduction of a safety and health checklist to confirm that enhanced safety and health measures were being implemented and achieving the intended outcomes.

CASE STUDY

LIVING THE ORORA VALUES – ORORA BUSHFIRE DONATION AND VOLUNTEER SUPPORT

Orora team members displayed generosity and compassion in early 2020 by donating $64,521 to support communities affected by the unprecedented Australian bushfires. Orora donated a further $114,521, making a total company-wide contribution of $179,042 to the Australian Red Cross Disaster Relief and Recovery Fund. A significant employee and Company donation recognised by the Australian Red Cross. Some Australian Orora team members are also active members of their local firefighting services. Orora is very proud to count them as members of the team. One such team member is Pablo Anwandter – a Shift Supervisor at Orora Beverage Cans in Revesby and a New South Wales Rural Fire Service (RFS) Volunteer. Pablo has been a member of the NSW RFS for six years as part of the Glenhaven Rural Fire Brigade in the Hills District of Sydney. Orora is proud to offer team members the flexibility to be able to serve their community in times like these and recognises the immense efforts and commitment that Pablo and others like him demonstrate.



(1) Orora's injury rates are measured using two key metrics Recordable Case Frequency Rate (RCFR) and the Lost Time Injury Frequency Rate (LTIFR). LTIFR is measured by dividing the total number of Lost Time Injuries in a 12 month period by the total number of hours worked in the same 12 month period, then multiplying by 1,000,000. RCFR is measured by dividing the total number of Recordable Case Injuries (Lost Time Injury, Restricted Work Case & Medical Treatment Injury) in a 12 month period by the total number of hours worked in the same 12 month period, then multiplying by 1,000,000.

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To protect Orora team members who continued to perform critical duties in support of Orora's role as an essential services provider, the Company introduced a number of additional safety and protective measures in compliance with, or to a higher standard than, government and health advice, including:

- requiring team members to work from home where possible and providing additional protection for those involved in critical on-site operations
- staggering shift breaks to maximise social distancing between team members
- restricting visitor access at all Orora locations unless there was a health, safety or business critical issue that required attendance
- requiring any critical site visitors to comply with specific entry and egress processes
- developing flexible work practices and enforcing social distancing.

A comprehensive safety, health and mental wellbeing campaign and support program was also implemented to encourage team members to be active in protecting themselves and their colleagues. As at the date of this Report, Orora continues to closely monitor site and workplace activity with respect to social distancing, hygiene, travel, visitation and mental wellbeing. There have been no positive cases of COVID-19 reported in its Australasian operations, and a number of positive cases have been identified in its North American operations.

Orora has offered comprehensive and appropriate support to those team members in North America who tested positive and ensured the effective management of those cases to preserve the safety of team members and reduce the risk of further transmission.

Health and wellbeing

As part of Orora's commitment to team member safety and wellbeing, and a zero-tolerance approach to alcohol and other drugs (AOD) in the workplace, Orora continued its alcohol and drug policy, education, testing and support program in Australasia. The results of the first 12 months of AOD testing has benchmarked Orora's performance at 10 times less than industry average in regard to positive drug and alcohol test results. The AOD program has highlighted the importance of team member mental health and wellbeing. As a result, Orora piloted The Little Blue Book, a mental health and wellbeing resource for team leaders.

Diversity and inclusion

Orora is strongly committed to developing an inclusive and respectful work environment to optimise diversity of thought and background. Bringing together people with different backgrounds and ways of thinking is a powerful source of competitive advantage in driving better decision-making, innovation and growth.

Gender equality

Throughout the financial year ended 30 June 2020, Orora has continued its commitment to a gender diversity target of 30% female of all new team member hires. At the end of the reporting period, this target was again exceeded by achieving 34.9% of new female hires. 203 new females have been recruited across all of Orora in the past 12 months, 35.9% female new hires for ANZ and 34.1% for North America. The Orora Board has also approved the following gender diversity objectives for the financial year ending 30 June 2021:

- maintaining not less than 30% of each gender in the composition of Orora's Board
- ensuring that Orora continues to employ greater than 30% female of all external new hires
- ensuring that Orora identifies and attracts female talent for Board and senior management vacancies.

These objectives are supported by a continued commitment to:

- supporting the development of women into leadership roles, including through the Women in Leadership at Orora (WILO) program
- using an objective process in valuing roles and setting comparative male and female remuneration for salaried positions
- promoting holistic working practices, including, but not limited to, continuing to offer the employee assistance program and supporting flexible working arrangements, where practicable.

CASE STUDY

SAFETY FIRST DURING COVID-19

During the pandemic, OPS created an agile Health and Safety products team to leverage Orora's unique ability to secure quality protective supplies for customers. The combination of extensive supplier relationships, which came to OPS with the acquisition of the Pollock business in 2018, and its competitive position in market meant that OPS was able to introduce this new product line that includes facemasks, gloves, hand sanitisers and other similar health related items. This was a result of excellent collaboration by North American team members in Operations, Sales, Procurement, Quality, and Marketing to offer high-quality products to their current and prospective customers.



ORORA'S APPROACH TO SUSTAINABILITY

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Women in Leadership at Orora (WILO) program

Orora also conducted its fourth annual WILO program during the financial year ended 30 June 2020 across its North American operations, building on the North American program delivered in 2019 and two earlier programs across Australia and New Zealand. This tailored development and mentoring program aims to support Orora's ability to cultivate a diverse leadership talent pipeline by enabling women to build their confidence and leadership skills. The WILO program continues to receive very positive reviews from participants, mentors and leaders.

Additionally, Orora continued to invest in previous WILO participants by conducting an ANZ Alumni event in September 2019, refreshing goals and aspirations and reinvigorating the WILO network connections. The next WILO program will be held during the current financial year, however given international and regional travel restrictions, for the first time WILO will be run as a virtual and global program led out of North America, including participants from Australasia.

Supporting change

Of great focus this year was the support and care for Orora's workforce dealing with significant changes due to the sale of the Australasian Fibre business and also dealing with COVID-19 globally. Orora has provided face to face learning and has virtual/digital support mechanisms to ensure that leadership is undertaken with the Orora values in mind.

To understand Orora's progress, an online survey was conducted of more than 1,500 North American co-workers who transitioned to working remotely. The outcome strongly demonstrated that team members can successfully work remotely and remain productive. Technology and tools provided have increased communication and connectivity, flexibility to work remotely has significantly lowered levels of stress, team members feel safer and healthier, and it has improved work-life balance. Similar feedback was received from Australian team members working remotely. Additionally, a global culture review is being undertaken to better understand employee experience and build a revised policy and practices regarding workplace flexibility.

Champions of Change

The Orora internal network of General Managers continued to be a powerful cohort of change agents who are driving action at a local level across all business groups. In March 2020, under the leadership of the Orora Champions of Change, team members celebrated International Women's Day (#eachforequal) across Orora sites, with activities shared across the Workplace internal communications platform. The passion and leadership of the Champions of Change will be drawn upon again as the new culture review progresses during the first half of the current financial year.

Human rights and responsible sourcing

Orora is positioned to address its obligations as a signatory to the UNGC and the requirements of applicable modern slavery legislation. Orora understands that respecting and improving human rights is fundamental to delivering value for shareholders, customers and the broader community. Orora is committed to having frameworks and processes in place to minimise the risk of modern slavery in Orora's business operations and supply chain.

Supplier Assurance Framework

Orora continued to expand its Supplier Assurance Framework Program during the financial year ended 30 June 2020, designed to identify and mitigate human rights issues within its supply chain. Assessing human rights risks is now a standard procurement component of on-boarding a new supplier. A supplier identified as high-risk following assessment is required to mitigate risks via an agreed plan, with failure to do so resulting in contract cancellation.

CASE STUDY

MOTHER'S DAY DELIVERY – A HAPPY MOTHER'S DAY THANKS TO ORORA VISUAL

While social distancing was a strong part of responding to and managing risk associated with COVID-19, Orora team members at Orora Visual Dallas contributed to a Lowe's initiative to deliver US$1.0 million worth of flower baskets to mothers at more than 500 long-term care and senior living facilities in cities such as New York, Seattle, Chicago, Boston, Houston, Miami and more. Orora Visual Dallas supported these efforts by printing 100,000 special Mother's Day tags at short notice to have them delivered by Mother's Day. Despite the severity of COVID-19, the Orora Visual Dallas team were pleased to be able to play their part in bringing joy to some very well-deserving women.



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Governance

This year, enhancements were made to Orora's human rights and responsible sourcing governance by the establishment of a Modern Slavery Working Group. The Group is responsible for identifying and implementing process improvements to minimise the risk of modern slavery in Orora's business operations and supply chain, and to ensure compliance with applicable laws and standards. This Working Group reports and provides recommendations to the Safety, Sustainability & Environment and Audit, Risk & Compliance Committees, as applicable, and the Board which oversee modern slavery risks and ensure timely disclosures and corporate reporting in accordance with applicable laws and Orora's Risk Management Framework.

Supplier Code of Conduct and Ethics

Orora implemented a Supplier Code of Conduct and Ethics Policy in the financial year ended 30 June 2020. This complements the Code of Conduct and Ethics and sets minimum standards for Orora's suppliers and their supply chain in line with Orora's values and commitment to the Ten Principles of the UNGC. Orora's Supplier Code of Conduct and Ethics is supported by Orora's Supplier Assurance Framework.

Planet

Circular economy

Orora is an active participant in the circular economy, which aims to maximise the value of products and resources by reusing them in supply chains for as long as possible. Orora has a dual approach – to ensure its manufactured packaging is inherently recyclable and that it contains recycled content. The main packaging substrates manufactured by Orora, glass and aluminium, are completely recyclable. Orora works collaboratively with its supply chain to increase the percentage of recyclable content used in its packaging.

Orora's Beverage plant located at Gawler in South Australia consumes approximately 80% of recycled glass collected via the South Australian Container Deposit Scheme, transforming it into new wine and beer containers. During the financial year ended 30 June 2020, the Beverage business has also been actively engaged with the container deposit schemes in other States and Territories to investigate and gain access to interstate volumes of recycled glass for use at Gawler. Much of this work is anticipated to result in increased volumes of recycled glass being utilised in the financial year ending 30 June 2021 (current financial year).

Similarly, Orora's Cans business continued to work with its supply chain during the financial year, ensuring the flat sheet aluminium utilised in the production of cans contained an average recycled content of 63%. During the course of the financial year ended 30 June 2020, Orora again participated in working groups with APC on ways to improve the operation of the circular economy in Australia by examining ways to improve glass recycling and other packaging substrates.

In North America, OPS achieved 70% recycled content in the manufacture of its corrugated board and further sustainability initiatives are being explored.

Eco Targets

Orora has launched a new set of Eco Targets to run to 30 June 2024 that will continue to aim at reducing CO_2e emissions, waste to landfill and water use. These Eco Targets have the same focus areas as previous Eco Targets that Orora successfully achieved by 30 June 2019, but unlike in previous years, the new set of Eco Targets are measured as ratios against production related metrics. This reflects changes in stakeholder expectations as to how companies report on environmental performance, and ensures that the metrics for Eco Targets are focused on the specific attributes of each of Orora's business divisions, giving them greater scope for effective management.

The Eco Target metrics reflect the primary activity of each of the business units. These are divided into Production of packaging, which measures against tonnes produced, and separately, the Distribution of packaging, which adheres to floor space square metres.

CASE STUDY

ORORA BEVERAGE – OFFERING A SUSTAINABLE PACKAGING CHOICE

Orora is proud to be a leading manufacturer of sustainable packaging and continues to view this as a point of difference and competitive advantage. Globally, consumers are increasingly seeking out sustainable product alternatives. As a business, Orora is fortunate to be on the right side of this trend, particularly in Australasia where customers are switching to recyclable glass and aluminium substrates. Glass and Cans both offer an infinitely recyclable option to producers, customers and consumers. Increasingly, cans are also viewed as a package that offers purity of flavour, quality of product (100% airtight, light proof and contamination free) and are environmentally sustainable.



ORORA'S APPROACH TO SUSTAINABILITY

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The table below outlines the 2024 targets for each of the Eco Target focus areas for each of the Production and Distribution division groupings.

During the financial year ended 30 June 2020, each of the Production and Distribution groups had their performance benchmarked to establish the baseline to use in working towards the 30 June 2024 efficiency targets[1].

Orora expects positive efficiency progress to be achieved on each of the new Eco Targets during the financial year ending 30 June 2021.

As noted on page 16 of this Report, the Australasian Fibre business was sold on 30 April 2020 to a subsidiary of Nippon Paper Industries and is not included in the new Eco Targets program.

During the financial year ended 30 June 2020, Orora continued to develop its understanding of the potential impacts of climate change on its operations, an important activity in recognising the Company's obligations under Principle 7 of the UNGC and the ASX Corporate Governance Principles and Recommendations (4th edition). Orora's work on its CO_2e Eco Target over the last five years has been central to recognising Principle 7, which requires businesses to support a precautionary approach to environmental challenges. The new Eco Targets regime will continue to enhance this work.

Orora continues to review and implement the findings of the TCFD with the support of external consultants to better understand the potential impacts of climate change on Orora. It is expected that this work will be completed during the current financial year. Orora will again address applicable TCFD disclosure requirements as part of its CDP response for the most recent reporting period[2].

Energy efficiency

Work continued during the financial year ended 30 June 2020 on the installation of new monitoring and measurement equipment at many sites to verify energy use to benchmark and ultimately reduce energy consumption. Specific energy efficiency initiatives involved Orora Visual implementing weekend energy load shedding at all of its facilities and painting the roof of its Dallas facility white to reduce heat ingress. The rebuild of the G2 furnace at Gawler will also improve energy efficiency. There will be an increased focus on energy efficiency for both gas and electricity in terms of their contribution to reducing greenhouse gas emissions under the resetting of Orora's CO_2e Eco Target over the period to 30 June 2024.

Renewable energy

Orora continued to examine ways of increasing its use of renewable energy through the installation of small scale solar systems at a number of sites during the financial year ended 30 June 2020. Small scale solar electricity systems were installed at Beverage sites at Gawler (warehouse), Ballarat and Dudley Park with a further implementation planned for Revesby. There was also examination of the potential for further small scale solar system implementation at several other Orora sites. Orora has long-term power purchase agreements with renewable energy providers to supply wind-generated electricity to Orora's operations in New South Wales, South Australia and Victoria. These agreements secured the supply of renewable energy for volumes equivalent to 80% of Orora's total electricity requirements in Australia.

Eco Targets

The new Eco Targets are for a 5% improvement on each Eco Target ratio for the Production and Distribution businesses across CO_2e, Waste to Landfill, and Water Use by 2024.

CO_2E EMISSIONS

5% reduction in emissions ratio intensity FY24 from FY20 levels

Production Businesses
Tonnes CO_2e/tonnes of product

Distribution Businesses
Tonnes CO_2e/floor space square metres

WASTE TO LANDFILL

5% reduction in waste to landfill ratio intensity by FY24 from FY20 levels

Production Businesses
Tonnes Waste to Landfill/ tonnes of product

Distribution Businesses
Tonnes Waste to Landfill/ floor space square metres

WATER USE

5% reduction in water use ratio intensity FY24 from FY20 levels

Production Businesses
Kilolitres Water/tonnes of product

Distribution Businesses
Kilolitres Water/floor space square metres

(1) New acquisitions during the financial year ended 30 June 2019 have been excluded due to unavailability of data. Data will be included within 24 months of acquisition.
(2) The most recent period for CDP reporting is for the financial year ended 30 June 2019.

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Fibre sourcing

Orora is committed to the use of fibre from traceable, socially and environmentally responsible sources in its ongoing North American businesses. Throughout the financial year ended 30 June 2020, the Responsible Fibre Sourcing Policy, refreshed in the financial year ended 30 June 2019, continued to be applied across relevant areas of Orora's activity (including the discontinued Australasian Fibre business), ensuring Orora did not directly or indirectly contribute to:

- illegal logging or the trade in illegal wood or forest products
- conflict timber or the trade in conflict timber
- significant conversion of forests to plantations or non-forest use
- destruction of high conservation values in forestry operations
- introduction of genetically modified organisms in forestry operations
- violation of traditional, indigenous and human rights in forestry operations
- violation of any of the fundamental International Labour Organisation Conventions.

Orora's approach to responsible fibre sourcing is supported by a due diligence framework giving preference to suppliers with credible, independent chain of custody certification based on international standards and transparent and traceable supply chains. In North America, Orora continued the Sustainable Forestry Initiative certification process for several of its sites.

Prosperity

Economic contribution

Orora has a proud history as an Australian headquartered and listed product manufacturing business, making significant contributions to the communities in which it operates. As discussed on page 1 and 2 of the Annual Report, Orora generates $3,566.2 million in sales revenue, employs approximately 3,800 team members and operates 106 sites across seven countries. Orora generates this prosperity in a manner that is balanced with Orora's *Planet* and *People* Sustainability pillars.

Value creating customer relationships

Sustainability is integral to Orora's customer relationships. Orora works with its customers to reduce environmental impacts with a commitment to using packaging produced that is both recyclable and contains recycled content. Programs were also undertaken with ANZ Beverage customers to examine and implement light-weighting of packaging supplied. Undertaking such activity is central to Orora's furthering of the Circular Economy under the *Planet* pillar and is aligned with Orora's strategic focus.

Community engagement

Orora aims to make a positive contribution to the prosperity of the communities in which it operates.

During the financial year ended 30 June 2020, Orora partnered with a number of leading universities to offer adult and junior apprenticeships, an Industry 4.0 Cadetship program and various internship programs. The successful participants in the Swinburne Industry 4.0 cadetship were offered permanent employment with Orora in November 2019, and continue to make a valued contribution to innovative projects. Partnerships like this reflect Orora's commitment to advancing jobs, skills and people, addressing the sustainable energy challenge, and recycling for a sustainable future.

Orora also made a significant contribution to the Australia Red Cross Disaster Relief and Recovery Fund via its Orora Bushfire Appeal in support of those impacted by the tragic bushfires in Australia in early 2020. Orora team members globally donated $64,521 with Orora donating a further $114,521 making a total company-wide contribution of $179,042.

In North America, OPS continued to support Working Wardrobes, a not-for-profit helping men, women, military veterans and young adults to overcome obstacles to enter or return to the workforce. Separately, the Orora Visual team worked closely with its customers, including Lowes, to support those in the community most at risk of COVID-19 transmission.

CASE STUDY

SHARE A COKE WITH THE FIRIES

During the height of the Australian bushfires, the Orora Beverage team was proud to partner with long-term customer Coca-Cola Amatil and Coca-Cola South Pacific by donating the cans free of charge for their 'Share a Coke with the Firies' campaign to support those affected by the bushfires. 100,000 of these unique cans were produced and donated to firefighters and impacted communities.



GOVERNANCE

The Board recognises the importance of having Directors who possess a broad range of skills, backgrounds, expertise, diversity and experience in order to facilitate constructive decision making and facilitate good governance processes and procedures.

The Board has determined that collectively its Directors have the skills and experience to oversee its strategic objectives, including the key desired areas listed below. The Board has unfettered access to the Company's senior management team and external consultants for required expertise, including in respect of digital data and technology capabilities.

A regular assessment of the optimum mix of these skills and experience is computed and takes into account the strategic positioning of the Group. Following the sale of its Australasian Fibre business, Orora is embarking on a new journey with a revised business strategy, and a continued focus on safety, sustainability and innovation across the Group's portfolio. The Board established the Safety, Sustainability & Environment Committee on 3 August 2020 to provide it with advice and assistance.

The Board will review the mix of its skills and experience in conjunction with the strategy review.

Director	Board	Audit, Risk & Compliance Committee	Executive Committee	Human Resources Committee	Nomination Committee*	Safety, Sustainability & Environment Committee
Rob Sindel	●		●		●	○
Brian Lowe	○		○			
Abi Cleland	○			○	○	●
Tom Gorman	○	○		●		
Sam Lewis	○	●	○			○
Jeremy Sutcliffe	○	○		○	○	

● Chair ○ Member

* All Nomination Committee matters were dealt with by the full Board during the financial year.

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BOARD SKILLS AND EXPERIENCE

The Board has identified the key skills required for the Board as a whole to meet its objectives. To assist the recruitment and selection of new members, this skills matrix may be used to review the existing skills and capabilities of the Board and to identify any gaps/low current coverage in skills and experience.

Skill/Experience	Directors with Skill/Experience
Strategic Thinking Experience in developing and implementing enterprise-wide successful strategies, and an effective capital management framework, including appropriately questioning and challenging management on the delivery of agreed strategic planning objectives.	6/6
Financial Acumen Experience in financial accounting and reporting, corporate finance and/or restructuring, corporate transactions, including ability to evaluate the adequacies of financial and risk controls and understand key financial drivers of the business.	6/6
Remuneration, Reward, People and HR Senior executive or substantial board experience leading people, oversight of culture and organisational design, remuneration frameworks that attract and retain a high calibre workforce and a culture that promotes inclusion and diversity.	5/6
Corporate Governance Experience with a major organisation that is subject to rigorous governance standards, a proven track record of leadership and governance skills and demonstrated behaviours consistent with Orora's values, and an awareness of global practices and trends.	6/6
Risk Management Senior executive or substantial board experience in understanding, identifying and monitoring key existing and emerging risks to an organisation and implementing appropriate risk management frameworks, procedures and controls.	6/6

Skill/Experience	Directors with Skill/Experience
Workplace Safety and Health Senior executive or substantial board experience in key workplace safety and health risks, including management, performance and governance of workplace safety and health.	4/6
Technology and Innovation Experience in oversight, adoption and implementation of technology and innovation to support growth and drive competitive advantage, the ability to understand key factors relevant to Orora including digital disruption, opportunities and risks.	3/6
Sustainability and Environment Senior executive or substantial board experience in management, performance and governance of sustainability, environmental and social responsibility initiatives, risks and opportunities including in relation to sustainability and climate change.	4/6
Relevant Industry Experience Senior executive or substantial board experience in a number of relevant industries, including packaging, manufacturing, FMCG, food and beverage, recycling, industrials and logistics, product or customer strategy.	5/6

BOARD GLOBAL EXPERIENCE



US	40%
Other segments	60%

BOARD DIVERSITY



Male	67%
Female	33%

BOARD TENURE



0–5 Years	50%
5–10 Years	50%

BOARD OF DIRECTORS

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Rob Sindel
(BEng, MBA, GAICD, FIEAust, CPEng)

Independent Non-Executive Director and Chairman

Rob Sindel has extensive experience obtained from executive management and leadership positions, principally from his 30 year career in the construction industry both in Australia and the United Kingdom. Rob has particular insights in manufacturing, sales and marketing in B2B environments, strategic management and operating in high-risk industries.

Rob was formerly the Managing Director and Chief Executive Officer of CSR Limited for 8 years from 2011 until 2019.

Director of Orora Limited since March 2019. Appointed Chairman in February 2020.

Directorships of listed entities and other directorships and offices

Current:
- Director, Mirvac Group (since September 2020)
- Member, Yalari NSW Advisory Committee (since August 2017)

Recent (last 3 years):
- Director, Australian Business and Community Network (October 2013 to November 2019)
- Director, Green Building Council of Australia (September 2013 to November 2019)
- Managing Director and Chief Executive Officer, CSR Limited (January 2011 to September 2019) and Director (December 2010 to September 2019)
- Member, UNSW Australian School of Business Advisory Council (June 2013 to December 2019)

Board committee membership
- Chair, Executive Committee and Nomination Committee
- Member, Safety, Sustainability & Environment Committee



Brian Lowe
(MBA)

Managing Director and Chief Executive Officer

Prior to Orora, Brian Lowe spent eight years with Delphi Technologies where he was Managing Director of the Asia Pacific Powertrain business, including five years based in Shanghai. This followed a 10 year career at General Electric (GE), where he held various leadership roles in sales and marketing and supply chain. His last role was Managing Director of GE Plastics, Australia from 2001 to 2003.

In his 8 years at Orora, Brian has been the Group General Manager of the Beverage (2012-2015) and Fibre (2016-2019) Business Groups. He was appointed Managing Director and Chief Executive Officer of Orora Limited in October 2019.

Board committee membership
- Member, Executive Committee



Abi Cleland
(BA, BCom, MBA, GAICD)

Independent Non-Executive Director

Abi Cleland has extensive global experience in strategy, M&A, digital and running businesses. This has been gained from senior executive roles in the industrial, retail, agriculture and financial services sectors, including with ANZ, Amcor, Incitec Pivot and as Managing Director of 333 Management, after starting her career at BHP working in Australia and Asia.

From 2012 to 2017, Abi set up and ran an advisory and management business, Absolute Partners, focusing on strategy and building businesses leveraging disruptive change, for large corporates and entrepreneurial businesses.

Director of Orora Limited since February 2014.

Directorships of listed entities and other directorships and offices

Current:
- Director, Coles Group Ltd (since November 2018)
- Director, Computershare Limited (since February 2018)
- Director, Swimming Australia (Audit Chair) (since July 2015)
- Director, Sydney Airport Limited (since April 2018)

Recent (last 3 years):
- Chair, Planwise Australia (June 2016 to March 2020) and Director (January 2016 to March 2020)
- Director, BWX Limited (August 2017 to December 2017)

Board committee membership
- Chair, Safety, Sustainability & Environment Committee
- Member, Human Resources Committee and Nomination Committee



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Tom Gorman
(BA, MBA)

Independent Non-Executive Director

Tom Gorman brings a wealth of experience to Orora, following a 30 year career in executive positions at Ford Motor Company of Australia Ltd, Chep International Inc and Brambles Limited, of which he was Chief Executive Officer. He is currently a Non-Executive Director of Worley Limited and a Director of High Resolves, an Australian-based non-profit focused on middle school education. He has worked in multiple functions including finance, operations, logistics, marketing, and business development in England, France, Australia and the United States (of which he is a resident).

Tom graduated, cum laude, from Tufts University with degrees in Economics and International Relations and obtained an MBA, with distinction, from the Harvard Business School.

Director of Orora Limited since September 2019.

Directorships of listed entities and other directorships and offices

Current:
- Director, Sims Limited (since June 2020)
- Director, Worley Limited (since December 2017)

Recent (last 3 years):
- Chief Executive Officer, Brambles Limited (December 2009 to February 2017)

Board committee membership
- Chair, Human Resources Committee
- Member, Audit, Risk & Compliance Committee



Sam Lewis
(BA(Hons), CA, ACA, GAICD)

Independent Non-Executive Director

Sam Lewis is a chartered accountant and has extensive financial experience, including as lead auditor to a number of major ASX-listed entities. She has 24 years' experience with Deloitte, where she was a Partner for 14 years. In addition to external audits, Sam provided accounting and transactional advisory services to major organisations in Australia, and has significant experience working with manufacturing and consumer business organisations.

Sam holds a Bachelor of Arts, Economics from the University of Liverpool in the UK, and is a member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales.

Director of Orora Limited since March 2014.

Directorships of listed entities and other directorships and offices

Current:
- Chair, APRA Audit and Risk Committee (since June 2016)
- Director, Aurizon Holdings Limited (since February 2015)
- Director, Nine Entertainment Co Holdings Limited (since March 2017)

Board committee membership
- Chair, Audit, Risk & Compliance Committee
- Member, Executive Committee and Safety, Sustainability & Environment Committee



Jeremy Sutcliffe
(LLB(Hons))

Independent Non-Executive Director and Deputy Chairman

Jeremy Sutcliffe has broad international corporate experience as CEO of two ASX Top 100 companies and has extensive experience with businesses operating in North America and Europe with diverse trading relationships in Asia. A qualified lawyer in Australia and the UK, Jeremy previously held positions with Baker McKenzie, London and Sydney, Sims Metal Management Limited and associated companies (including Group CEO), and Interim Managing Director & CEO of CSR Limited.

Director of Orora Limited since December 2013.

Directorships of listed entities and other directorships and offices

Current:
- Director, Amcor Limited (since October 2009)

Recent (last 3 years):
- Chairman, CSR Limited (July 2011 to May 2018) and Director (December 2008 to May 2018)
- Member, Advisory Board of Veolia Environmental Services Australia (June 2010 to December 2018)
- Member, Australian Rugby League Commission Limited (February 2012 to March 2017)

Board committee membership
- Member, Audit, Risk & Compliance Committee, Human Resources Committee and Nomination Committee



EXECUTIVE LEADERSHIP TEAM

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Brian Lowe (MBA)
Managing Director and Chief Executive Officer

Please see page 28.



Simon Bromell (BSc, GDip Agribus, GAICD)
Group General Manager, Beverage

Simon Bromell joined Orora in 2014 bringing 25 years' experience in leadership roles across the national food supply chain in consumer goods and agribusiness. Prior to Orora, Simon was General Manager of Gold Coin Asia, and also spent four years as Managing Director of Fonterra's Australian Ingredients business. Before this, he held senior management roles across a range of businesses and functions at Mars from 1996 to 2009.



Bob Firenze (BA)
President, Orora Visual

Robert (Bob) Firenze was appointed President, Orora Visual in March 2020, bringing over 20 years of experience in sales and management in the North American packaging industry. Bob joined the Company in 2001 as a Division Manager in Orora Packaging Solutions. He was responsible for growing and expanding the business in multiple North American regions and served as Senior Vice President – East Region, Orora Packaging Solutions immediately prior to his appointment as President, Orora Visual.



Stuart Hutton (BBus, CA)
Chief Financial Officer

Stuart Hutton joined Orora in December 2013, having previously served as Chief Financial Officer of Amcor's Australasia and Packaging Distribution business. Stuart brings more than 20 years' experience in senior finance roles, including five years with Orica as Chief Financial Officer of the Minova, Chemical Services and Mining Services (North America) Divisions as well as Investor Relations Manager. Stuart spent nine years during the early part of his career with Deloitte in audit and corporate finance.



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Bernie Salvatore (Dip Ind Mngt (Eng), MBA)
President, Orora Packaging Solutions

Prior to taking on his current role, Bernie Salvatore was President of Amcor Packaging Distribution, having joined the Company in 2002. Bernie brings more than 30 years' experience in the North American packaging industry, working for several publicly listed companies. Prior to Amcor, Bernie spent 20 years with Sealed Air and Cryovac, primarily in sales and marketing roles. His last role at Sealed Air was as Vice President Sales, North America from 2000 to 2002.



Ann Stubbings (BA/LLB, GAICD)
Company Secretary and Group General Counsel

Ann Stubbings was appointed Company Secretary and Group General Counsel upon Orora's listing on the ASX in December 2013. Ann leads the Legal, Company Secretariat, Sustainability, Human Resources, Corporate Affairs and Corporate Safety teams. Prior to joining Orora, Ann was Senior Group Legal Counsel at Amcor Limited (2008 to December 2013), and Alternate Company Secretary (2009 to December 2013). Ann commenced her career in private practice at Hall and Wilcox, and has held senior in-house roles practising in corporate and commercial law, insurance, dispute resolution, governance and company secretariat across manufacturing and financial services.



Matthew Wilson (LLB, BCom (Hons))
Group General Manager, Strategy

Matthew Wilson joined Orora in January 2020, bringing over 20 years of experience in corporate finance and strategy. Immediately prior to Orora, Matthew was a Managing Director at independent corporate advisory firm, Flagstaff Partners, and previously spent 15 years at J.P. Morgan in both Melbourne and Sydney where he led the Australian investment banking division's coverage of healthcare, telecommunications, technology, and private equity clients. Matthew began his professional career in the investment banking division of Macquarie Bank.



DIRECTORS' REPORT

The Directors of Orora Limited (Orora or the Company) present their report, together with the Financial Statements of the Company and its controlled entities (collectively referred to as the consolidated entity or the Orora Group), for the financial year ended 30 June 2020.

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STATUTORY MATTERS

Board of Directors

The Directors of the Company in office as at the date of this report are:

A R H (Rob) Sindel

B P (Brian) Lowe

A P (Abi) Cleland

T J (Tom) Gorman

S L (Sam) Lewis

J L (Jeremy) Sutcliffe

All Directors except Brian Lowe and Tom Gorman served on the Board for the period from 1 July 2019 to 30 June 2020. Tom Gorman was appointed as a Director on 2 September 2019. Brian Lowe was appointed as a Director on 1 October 2019.

Mr C I (Chris) Roberts retired as Chairman and a Director of the Board with effect from 12 February 2020, Mr G J (John) Pizzey retired as a Director with effect from 31 May 2020 and Mr N D (Nigel) Garrard retired as a Director with effect from 30 September 2019.

The qualifications, experience and special responsibilities of the current Directors, and other directorships held by them during the previous three years, are set out on pages 28 to 29 of this Annual Report.

Company Secretary

A L (Ann) Stubbings is the Company Secretary of the Company, having commenced the position on 25 September 2013. Ms Stubbings' qualifications and experience are set out on page 31 of this Annual Report.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Board Committees) held during the period from 1 July 2019 to 30 June 2020, and the number of meetings attended by each Director.

	Board		Audit, Risk & Compliance Committee		Executive Committee		Human Resources Committee		Nomination Committee**	
Scheduled Meetings	11		4		2		4		–	
Unscheduled Meetings	11		–		2		–		–	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A P Cleland	21	22	4	4	3*	–	4	4	–	–
N D Garrard^	5	5	1*	–	2	2	1*	–	–	–
T J Gorman^	19	20	3*	–	–	–	3	3	–	–
S L Lewis	22	22	4	4	2	4	4*	–	–	–
B P Lowe^	17	17	3*	–	2	2	3*	–	–	–
G J Pizzey^	18	20	1*	–	2	4	3	4	–	–
C I Roberts^	14	14	3	3	3	3	3	3	–	–
A R H Sindel	22	22	4*	1	2*	1	4	4	–	–
J L Sutcliffe	22	22	3	4	–	–	4	4	–	–

A Number of meetings attended.

B Number of meetings held during the time the Director held office (in the case of Board meetings) or as a member of the committee during the year (in the case of committee meetings).

* Indicates that although the Director is not a member of a specific committee, the Director attended the meeting. Due to the size of the Orora Board, it is the practice of all of the Directors to attend the meetings of the Audit, Risk & Compliance and Human Resources Committee meetings. Upon his appointment as Chairman, A R H Sindel was appointed a member of the Audit, Risk & Compliance Committee.

** All Nomination Committee matters were dealt with by the full Board during the financial year.

*** The Board held a number of unscheduled meetings during the financial year to address matters related to the sale of the Australasian Fibre business. The Board may from time to time establish ad hoc and temporary Committees to address specific needs at the time.

^ T J Gorman was appointed as a Director on 2 September 2019 and B P Lowe was appointed as a Director on 1 October 2019. C I Roberts retired as a Director with effect from 12 February 2020, G J Pizzey retired as a Director with effect from 31 May 2020 and N D Garrard retired as a Director with effect from 30 September 2019.

STATUTORY MATTERS

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Operating and financial review

An operating and financial review of the consolidated entity during the financial year and the results of these operations begins at page 10 of this Annual Report.

State of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2020 other than as disclosed in this Annual Report.

Principal activities

The principal activities of the consolidated entity at the date of this report are set out on page 1 of this Annual Report. Apart from the sale of the Australasian Fibre business, disclosed as a discontinued operation on page 16 of this Annual Report, there were no significant changes in the nature of the principal activities of the consolidated entity during the financial year ended 30 June 2020.

Events subsequent to the end of the financial year

There have been no matters or circumstances which have arisen between 30 June 2020 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Likely developments

The Operating and Financial Review section from pages 10 to 16 of this Annual Report contains information on the consolidated entity's business strategies and prospects for future financial years, and refers to likely developments in the consolidated entity's operations and the expected results of these operations in future financial years. Information on likely developments in the consolidated entity's business strategies, prospects and operations for future financial years and the expected results of those operations has not been included in this report where the Directors believe it would likely result in unreasonable prejudice to the consolidated entity. Details that could give rise to material detriment to the consolidated entity; for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, have also not been included.

Dividends

Dividends paid or declared by the Company to members during the financial year ended 30 June 2020 are set out in note 2.2 to the Financial Statements.

No waiver was sought from the Trustees of the Orora Employee Share Trusts in respect of the entitlement of Treasury Shares held in the Trusts to be paid from the 2020 interim, final and special dividends, in compliance with Australian Tax Office Tax Determination (TD 2019/13). The Trusts received dividends on unallocated shares and the Employee Share Trusts were subject to tax at the applicable rate on dividends received in respect of the unallocated shares.

Environmental performance and reporting

The Orora Group is committed to continuous improvement of its environmental performance by finding better ways to manufacture and distribute its products. This is guided by the Orora Group's Environmental Policy, a copy of which is available on Orora's website.

(a) Carbon emissions

The *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* (Rule) made under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act) applies to facilities with direct CO_2 emissions (scope 1) of greater than 100,000 tonnes per year. These facilities are required to maintain their direct emissions below their historical peak level. Facilities that exceed their historical peak CO_2 emissions will be required to purchase CO_2 credits to offset their increase in emissions.

The only Orora Group facility that exceeds the 100,000 tonnes per year CO_2 threshold is the glass facility in Gawler, South Australia.

Following the recent capacity expansion at this facility, Orora received approval from the Clean Energy Regulator for a new calculated CO_2 Baseline under section 22 of the Rule. This facility complies with its obligations under the Rule.

(b) Greenhouse gas requirements

In Australia, the Orora Group is subject to reporting obligations under the NGER Act.

The NGER Act requires the Company to report on its annual Australian greenhouse gas emissions and energy use. The Orora Group has data gathering and management systems in place that comply with the NGER Act and the Clean Energy Regulator's audit processes. To comply with this obligation, Orora provides a report to the Clean Energy Regulator each year.

(c) Manufacturing

All of the Orora Group's manufacturing sites are subject to significant environmental regulation, including, where applicable, specific environmental licences. These licences require discharges to air, land and water to be below specified levels of contamination.

Compliance with these regulations and the Orora Group's overall environmental performance is monitored by Orora's internal Sustainability Team, which liaises directly with divisional and site-based health, safety and environment professionals. The Orora Group's environmental performance and material regulatory compliance is also discussed regularly at Executive Leadership Team meetings.

The Directors are not aware of any material breaches of environmental regulations or site-specific licences during or since the financial year ended 30 June 2020.

Directors' interests

The relevant interests of each Director in the share capital of the Company as at the date of this report are as follows:

Name	No. of shares[1]
Directors of Orora Limited	
A P Cleland	128,574
T J Gorman	56,000
S L Lewis	91,705
B P Lowe	670,191[2]
A R H Sindel	140,000
J L Sutcliffe	131,355

(1) Post 0.8 share consolidation (5 shares became 4).

(2) Details of rights and options over shares in the Company held by B P Lowe are set out in Table 9 of the Remuneration Report.

Unissued shares under option

Unissued ordinary shares or interests of the Company under option as at the date of this report are as follows:

Options granted	Expiry date	Issue price	Number under option
19 Feb 2014	30 Sep 2021	1.22	179,561
30 Oct 2015	30 Sep 2024	2.08	307,567
20 Oct 2016	29 Aug 2025	2.69	4,024,580
20 Oct 2017	30 Aug 2026	2.86	3,509,000
22 Oct 2018	31 Aug 2027	3.58	1,417,500

These options do not allow the holder to participate in any share or rights issue of the Company. Refer to the Remuneration Report for further information.

Shares issued on exercise of options

There were no ordinary shares of the Company issued during or since the financial year ended 30 June 2020 on the exercise of options granted over unissued shares or interests.

On-market share purchases to satisfy employee share plans

During the financial year ended 30 June 2020, 6,920,691 ordinary shares of the Company were purchased on-market and held on trust to satisfy obligations under the Company's employee incentive plans. The average price per security at which these shares were purchased was $2.68.

Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company has entered into agreements with each person who is, or has been, an officer of the Company. This includes the Directors in office at the date of this report, all former Directors and other executive officers of the Company, indemnifying them against any liability to any person other than the Company, or a related body corporate that may arise from their acting as officers of the Company, notwithstanding that they may have ceased to hold office. There is an exception where the liability arises out of conduct involving a lack of good faith, or is otherwise prohibited by law.

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STATUTORY MATTERS

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During and since the end of the financial year ended 30 June 2020, the Company has paid or agreed to pay the premiums for an insurance policy to insure current and previous Directors and other executive officers of the Company against certain liabilities incurred in that capacity.

Due to the confidentiality obligations and undertakings set out in these agreements, no further details in respect of the premiums paid, or the terms of the agreements, can be disclosed.

No indemnity payment has been made under any of the documents referred to above during or since the financial year ended 30 June 2020.

Indemnification of auditors

The Company's auditor is PricewaterhouseCoopers (PwC). During and since the financial year ended 30 June 2020:

- no premium has been paid by the Company in respect of any insurance for PwC
- no indemnity has been paid by the Company in respect of PwC's appointment as auditor
- no officers of the Company were partners or directors of PwC, while PwC undertook an audit of the Company.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court, nor has any application for leave been made in respect of the Company, under section 237 of the *Corporations Act 2001*.

Non-audit services

During the year, PwC, the Company's auditor, performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the financial year ended 30 June 2020 by the auditor and, in accordance with written advice provided by resolution of the Audit, Risk & Compliance Committee, is satisfied that the provision of those non-audit services during the financial year by the auditors is compatible with the general standard of independence for auditors, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor. In particular, all non-audit services are approved in accordance with the non-audit services delegations and approvals framework and reported to the Audit, Risk & Compliance Committee at each meeting.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards. A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found at the end of the Remuneration Report within the Directors' Report.
- Details of the amounts paid to PwC and its related practices for audit and non-audit services provided during the financial year are set out in note 7.2 to the Financial Statements. Of note, during the financial year ended 30 June 2020, $821,800 of remuneration was provided to the auditors related to the sale of the Australasian Fibre business for taxation and other related services. In each case, the engagement of PwC was made on its merits (based on service level, expertise, cost, as well as geographical spread).

Rounding off

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and except where otherwise stated, amounts in the Financial Statements and Directors' Report have been rounded off to the nearest $100,000 or to zero where the amount is $50,000 or less.

Corporate Governance Statement

The key features of the Company's corporate governance framework are set out in the Corporate Governance Statement, which is available at: www.ororagroup.com/investors/corporate-governance-statement.

REMUNERATION REPORT

Orora's remuneration framework balances short and long term returns to shareholders as demonstrated by the strong alignment between financial performance and executive remuneration outcomes.



TOM GORMAN
Chair, Human Resources Committee

Dear Fellow Shareholder,

On behalf of the Orora Board of Directors, I am pleased to present Orora's Remuneration Report for the financial year ended 30 June 2020. With the retirement of John Pizzey from the Orora Board and from his role as Chairman of the Human Resources Committee (HRC) on 31 May 2020, the Orora Board has entrusted me with the leadership of the HRC. It is a privilege to follow John in this role. I will continue John's legacy of working with management and the other Directors to ensure Orora's Human Resource policies and remuneration framework are structured to support Orora's long-term sustainability and continue to attract, retain, and motivate our employees. We will work to ensure our reporting is transparent and our communications are clear and concise.

Overview

This has been an unprecedented year. In addition to the transition in executive leadership with Brian Lowe succeeding Nigel Garrard and the sale of Orora's Australasian Fibre business, the Orora team has been faced with the challenges presented by the COVID-19 pandemic. Orora has focused on keeping Orora's people safe, continuing to support Orora's customers, and ensuring that Orora remains financially strong to meet the challenges and opportunities ahead.

Leadership Change

Effective 1 October 2019, Brian Lowe replaced Nigel Garrard as Managing Director and Chief Executive Officer of Orora. As previously announced, the Board set Mr. Lowe's total fixed remuneration at $1,250,000 (including superannuation). Mr Lowe's fixed remuneration is lower than his predecessor, which the Board determined as an appropriate outcome for a new appointee, and this was supported by comparable benchmark data. Mr Lowe also has a different notice period to his predecessor, with the Board determining that six months was more appropriate than twelve.

To achieve an appropriate combination of fixed and variable remuneration, and to incentivise performance, the Board determined that the maximum opportunity Mr Lowe could achieve under the short term incentive award in any one year is 100% of his fixed remuneration, and his target long term incentive award would be 70% of fixed remuneration. The equity grants associated with these awards were approved by shareholders at the 2019 Annual General Meeting. Further detail regarding Mr Lowe's arrangements is set out in this Remuneration Report. The Remuneration Report also contains information on the remuneration arrangements for the retirement of the former Managing Director and Chief Executive Officer.

Sale of Australasian Fibre Business

On 30 April 2020, Orora completed the sale of its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries for $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million. The sale represents compelling value for shareholders and enabled Directors to return $600.0 million to shareholders on 29 June 2020 on a pre-consolidated basis, following the 16 June 2020 General Meeting. Shareholders also approved a consolidation of Orora shares at the General Meeting to adjust Orora's number of shares equivalent to the quantum of the cash return.

The capital return and share consolidation required the Orora Board to consider any potential impact on Orora's employee equity incentive plans, under the rules governing those plans, to minimise or eliminate any material advantage or disadvantage to employees resulting from the return of capital and share consolidation. The Board determined there would be no change to performance rights, but the options on foot were restructured. However, this resulted in no material change to the quantum or exercise price of options awarded. Further information on treatment of options can be found on page 45 [4.2] and in the notice for the General Meeting held on 16 June 2020.

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REMUNERATION REPORT

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Company Performance (Continuing Businesses only) and Financial Year 2020 Remuneration Outcomes

The Company's results for the financial year ended 30 June 2020 for the continuing businesses reflect the more challenging economic and market conditions, with underlying net profit after tax and EPS lower than the previous year. For the financial year ended 30 June 2020, Orora has delivered earnings before significant items, interest and tax (EBIT) of $224.3 million.

Orora's executives are rewarded for annual performance against challenging business plans as well as longer term returns for shareholders. The short term incentive (STI) assessment includes a number of financial and non-financial metrics (at a Group and individual level). This year's STI outcomes reflect the more challenging economic and market conditions, demonstrating the strong alignment between financial performance, executive remuneration outcomes and the challenging nature of the objectives. Of note, the Board did not exclude any COVID-19 impact on the Group's financial performance in the assessment of STI or LTI outcomes.

Achieving completion of a sale of the scale and complexity of the Australasian Fibre business, and doing so whilst at the same time addressing the challenges associated with COVID-19, was a significant achievement by the Orora team. As a result, the Board has exercised its discretion to award a one-off bonus to the Executive KMP who led the sale and completion process, as part of the STI program, equating to 20% of their fixed remuneration. Including this one off bonus, STI payments for the Executive KMP were paid out between 50.8 – 54.7% of their maximum STI opportunity. Excluding the Fibre sale bonus, the outcomes were between 24.2 – 28.0% of their maximum STI opportunity.

During the financial year ended 30 June 2020, the long-term incentive (LTI) grant awarded in the financial year ended 30 June 2017 was tested. This grant had a performance period of 1 July 2016 to 30 June 2020. Disappointingly, the LTI grant did not vest, as it did not meet the performance hurdles due to the outcomes being in line with lower Relative Total Shareholder Return and Earnings per Share over the relevant performance period.

Reflecting challenging global economic conditions, the Board has assessed remuneration movements and, in line with market, the Board has determined that there will be no remuneration increase for the Executive KMP for the new financial year.

Remuneration changes during the financial year

As disclosed in the 2019 Remuneration Report and in the Notice of Meeting for the 2019 Annual General Meeting, the Board made some changes to Orora's LTI plan which took effect from the start of the financial year ended 30 June 2020.

The Board decided to remove options from the LTI plan, to better align the LTI with market practice and meet the goals of Orora's remuneration framework. Performance rights are now the only form of grant under the LTI plan. Performance is measured across a three year period, with an additional one year employment restriction before vesting.

The Board has deliberated the impact of the Australasian Fibre sale on the LTI awards that are on foot, to ensure fair and equitable treatment to employees, aligned to shareholders' interests. As a result, the Board has decided to make no change to the performance hurdles under the LTI plans, but has decided it is appropriate to re-base the EPS calculations for LTI grants with a vesting date of August 2021 and beyond, to exclude the Australasian Fibre business which has been sold.

Final Thoughts

It has been a very busy year for everyone at Orora. Achieving the sale of the Australasian Fibre business was a significant milestone and represents compelling value for shareholders. In an unprecedented year and times, Orora has risen to the challenges presented and continues to focus on keeping Orora's team members safe, satisfying Orora's customers, and ensuring the business remains strong.

On the following pages you will find the FY20 Remuneration Report in its entirety. I am pleased to engage with shareholders should you require further clarification in respect of this Report.

Warm regards,



TOM GORMAN
Chair, Human Resources Committee

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Introduction

The Directors of Orora Limited (Orora or the Company) present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) for the Company and its controlled entities (collectively, the Group or Orora Group) for the financial year ended 30 June 2020.

Structure of this report

Orora's 2020 Remuneration Report is divided into the following sections:

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Message from Tom Gorman, Chair Human Resources Committee	
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3 Remuneration strategy and structure	41
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1. Key management personnel

For the purposes of this Remuneration Report, key management personnel (KMP) includes each of the Directors, both executive and non-executive, and nominated Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Orora Group, either directly or indirectly.

In this Remuneration Report, "Executive KMP" refers to the KMP other than the Non-Executive Directors (and includes the Managing Director and Chief Executive Officer). The use of the term "Senior Executives" in this remuneration report is a reference to the Managing Director and Chief Executive Officer and all of his direct reports (including the Other Executive KMP), not all of whom meet the definition of a KMP. References to "Other Executive KMP" means the Executive KMP excluding the Managing Director and Chief Executive Officer.

Non-Executive Directors have oversight of the strategic direction of the Orora Group, but no direct involvement in the day-to-day management of the business.

Particulars of KMP and Senior Executives' qualifications, experience and special responsibilities are detailed on pages 28 to 31. The KMP covered in this report are listed in **Table 1** and were designated as KMP in the current year and comparative period unless otherwise stated.

Table 1

Name	Title
Non-Executive Directors	
A R H (Rob) Sindel[1]	Independent Non-Executive Director and Chairman
C I (Chris) Roberts[2]	Independent Non-Executive Director and Chairman
G J (John) Pizzey[3]	Independent Non-Executive Director
J L (Jeremy) Sutcliffe	Independent Non-Executive Director
A P (Abi) Cleland	Independent Non-Executive Director
S L (Sam) Lewis	Independent Non-Executive Director
TJ (Tom) Gorman[4]	Independent Non-Executive Director
Executive KMP	
B P (Brian) Lowe[5]	Managing Director and Chief Executive Officer
N D (Nigel) Garrard[6]	Managing Director and Chief Executive Officer
S G (Stuart) Hutton	Chief Financial Officer

(1) Appointed Chairman on 12 February 2020.
(2) Retired as Independent Non-Executive Director and Chairman on 12 February 2020.
(3) Retired as Independent Non-Executive Director and Chair of the Human Resources Committee on 31 May 2020.
(4) Joined the Board on 2 September 2019, and appointed Chair of the Human Resources Committee on 31 May 2020.
(5) Succeeded Nigel Garrard as Managing Director and Chief Executive Officer on 1 October 2019.
(6) Retired as Managing Director and Chief Executive Officer on 30 September 2019.

REMUNERATION REPORT

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1.1. Executive KMP service agreements

Orora formalises remuneration and other terms of employment for the Executive KMP in service agreements. Specific information relating to the terms of the Executive KMP's service agreements is set out in **Table 2**.

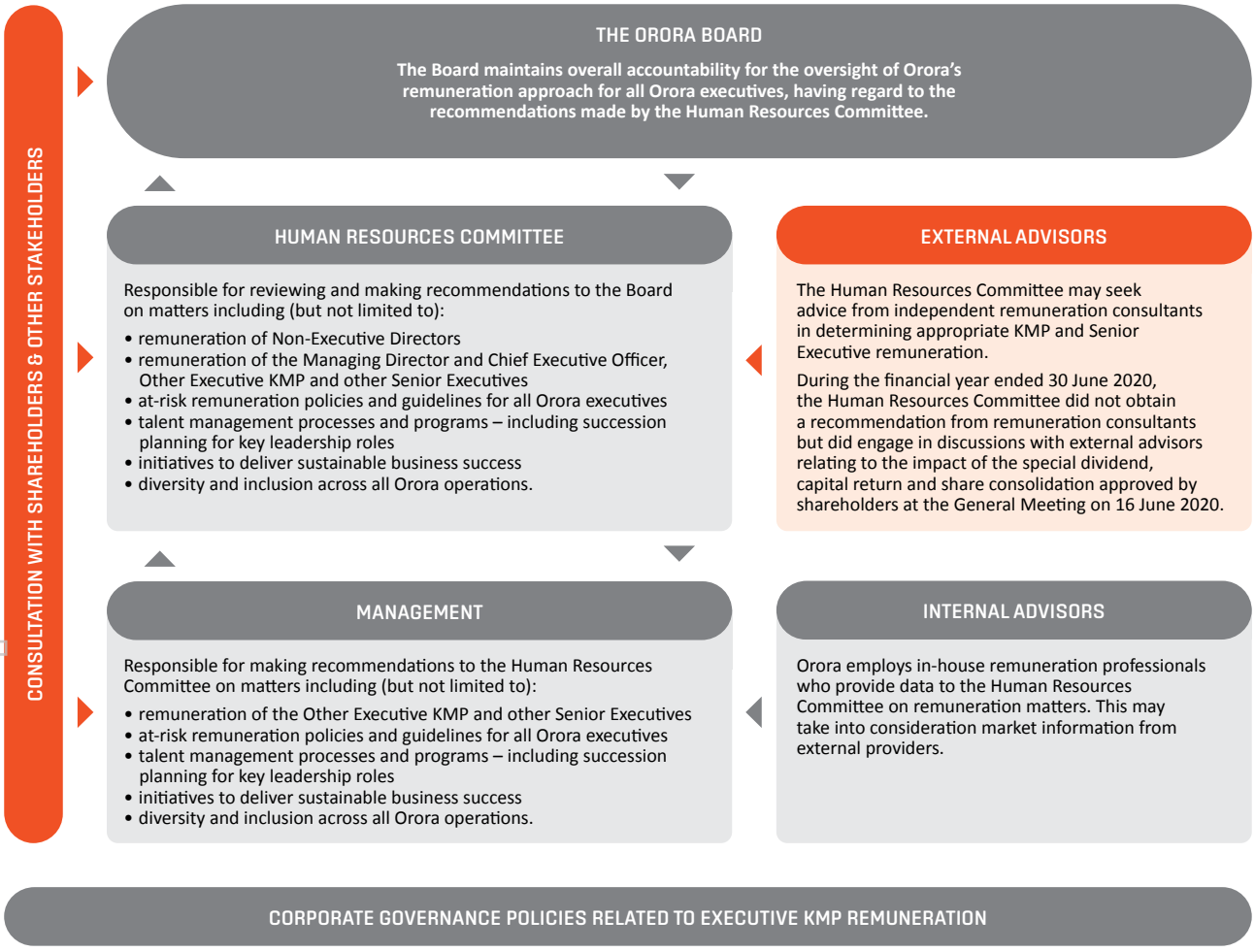
Table 2

Name	Term	Notice period	Redundancy/termination payment
B P Lowe[(1)]	Open	6 months	Greater of amount payable required by law and payment in lieu of notice (total termination payment must not exceed 12 months' Total Fixed Remuneration).
N D Garrard[(1)]	Open	12 months	Greater of amount payable required by law and payment in lieu of notice (total termination payment must not exceed 12 months' Total Fixed Remuneration).
S G Hutton	Open	6 months	Greater of amount payable required by law and payment in lieu of notice (total termination payment must not exceed 12 months' Total Fixed Remuneration).

(1) Mr Garrard retired as Managing Director and Chief Executive Officer on 30 September 2019 and was succeeded by Mr Brian Lowe on 1 October 2019.

2. Remuneration governance

2.1. Governance framework



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2.2. Corporate governance policies related to Executive KMP remuneration

2.2.1. Senior executive reward and evaluation policy

The Board has a policy which outlines its commitment to ensure the structure of Orora Group remuneration is aligned to business outcomes that deliver value to shareholders. Systems of evaluation for performance of Senior Executives are based on predetermined key performance indicators, including alignment with Orora's strategic objectives and company values. The Board retains discretion on variable remuneration outcomes to mitigate the risk of unintended award outcomes (including forfeiture or claw-back of grants in certain circumstances) and to alter the vesting conditions of Performance Rights in certain circumstances.

Further detail can be found within the Corporate Governance Policies and Standards section of the Orora website at: www.ororagroup.com/investors/policies-and-standards.

2.2.2. Minimum shareholding policy

To strengthen alignment of the interests of the Executive KMP and other Senior Executives with value creation for shareholders, they must build and maintain a minimum shareholding of shares in the Company. The Managing Director and Chief Executive Officer is required to build and maintain a shareholding equivalent to 100% of total fixed remuneration within six years of appointment and Other Executive KMP and other Senior Executives are required to build and maintain a shareholding equivalent to 50% of total fixed remuneration within six years of their appointment.

Once the relevant minimum shareholding has been reached, the Executive KMP and other Senior Executives must not dispose of Orora shares obtained from awards under Orora's equity-based incentive schemes granted on or after 1 January 2014, where to do so would result in them holding less than the relevant minimum shareholding. Further details can be found within the Corporate Governance Policies and Standards section of the Orora website at: www.ororagroup.com/investors/policies-and-standards.

2.2.3. Share trading policy

The Board has implemented blackout periods during which all Orora team members (including Executive KMP and other Senior Executives) and Non-Executive Directors are unable to trade in Orora shares. Further detail can be found within the Corporate Governance Policies and Standards section of the Orora website at: www.ororagroup.com/investors/policies-and-standards.

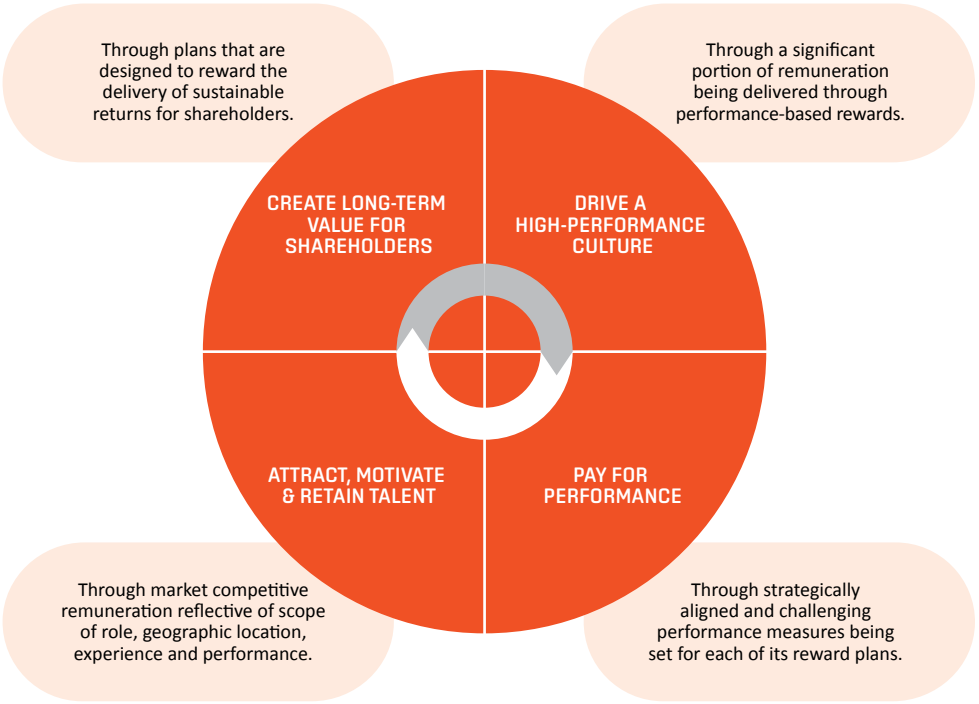
2.2.4. Hedging of securities

Executive KMP and other Senior Executives are prohibited under the Share Trading Policy from engaging in hedging arrangements over unvested securities issued under team member share plans. This prohibition extends to vested securities held by Executive KMP and other Senior Executives to which the Minimum Shareholding Policy applies. Non-Executive Directors do not participate in Orora's team member share plans.

3. Remuneration strategy and structure

3.1. Remuneration strategy

Orora's executive remuneration strategy is designed to drive a high performance culture, pay for performance, attract, motivate and retain talent and, ultimately, create long-term value for shareholders.



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3.2. Remuneration Structure - the Remuneration framework for Executive KMP

The remuneration of Orora's Executive KMP is delivered using both fixed and variable (at-risk) components as outlined in **Table 3**. Specific outcomes and performance measures for the financial year ended 30 June 2020 are included in Section 4.

Table 3

Component	Payment vehicle	Performance measure/s	Link to strategy
Fixed remuneration Fixed remuneration for the Executive KMP is set by referencing the market median remuneration for similar roles in listed companies of similar size to Orora, competing in comparable geographic locations.	Fixed remuneration consists of **cash salary and retirement benefits**(1).	Individual fixed remuneration is reflective of scope of role, geographic location, skills and responsibilities, experience and performance.	Market competitive fixed remuneration is paid to attract, motivate and retain Executive KMP with the appropriate experience and talent to drive Orora's strategy.
+			
Short-term incentive (STI) (at risk) Orora's STI is designed to reward Executive KMP for the achievement of the key short-term performance measures in each financial year.	Any award achieved will be delivered following the release of the end of year results, as **2/3 cash payment and 1/3 deferred equity (Performance Rights)** – deferred for two years.	A scorecard of performance measures is used to determine any STI award payable. This is measured at Orora Group level. This scorecard represents the key priority areas for the current year and typically includes strategic initiatives and has a strong weighting towards financial growth and returns. A safety and performance overlay also applies.	The STI provides a reward linked to the delivery of short-term objectives, and the equity deferral both aligns overall reward outcomes to longer-term value creation for shareholders, and acts as a retention tool.
+			
Long-term incentive (LTI) (at risk) Orora's LTI is designed to reward Executive KMP for the achievement of long-term sustainable business outcomes and value creation for shareholders.	Executive KMP are allocated **Performance Rights** with vesting based on the delivery of set performance measures over a three-year performance period, with an additional one year employment restriction before vesting. Grants of Performance Rights are made using market value and may be adjusted nominally at the Board's discretion.	The LTI uses the following performance hurdles – • EPS with a RoAFE gateway • Relative Total Shareholder Return with an Absolute Total Shareholder Return gateway	The LTI builds Executive KMP equity ownership, linked to the delivery of long-term objectives to align with the interests of shareholders and acts as a retention tool.
=			
Total remuneration The sum of all fixed and variable (at-risk) elements of remuneration			
Optional component (used only on a limited basis)			
Retention Share/Payment Plan (CEO Grant) Time-restricted (up to five years) shares or cash, subject to forfeiture in the event of voluntary termination or termination for cause.		Used on a limited basis at recruitment to replace existing entitlements from previous employers or as specific retention awards to existing executives.	

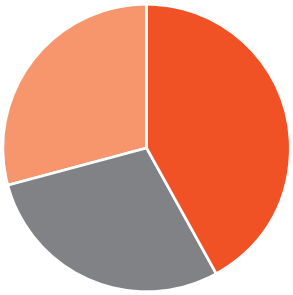
(1) Retirement benefits are delivered under defined contribution funds for all Executive KMP. Retirement benefits are set by reference to regulatory requirements in the relevant employing jurisdictions.

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3.3. Remuneration mix

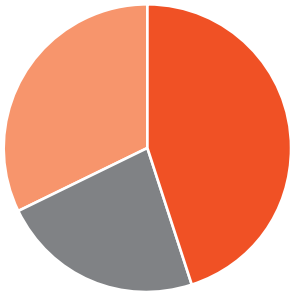
The current mix of remuneration components for Orora's Executive KMP is shown below and clearly demonstrates the emphasis placed on variable (at-risk) plans (STI and LTI), designed to directly incentivise performance. The remuneration mix chart below shows remuneration mix as fixed remuneration, target STI and LTI to be granted during the year for the Executive KMP.

MD & CEO



Fixed	**42%**
STI	**29%**
LTI	**29%**

Other Executive KMP

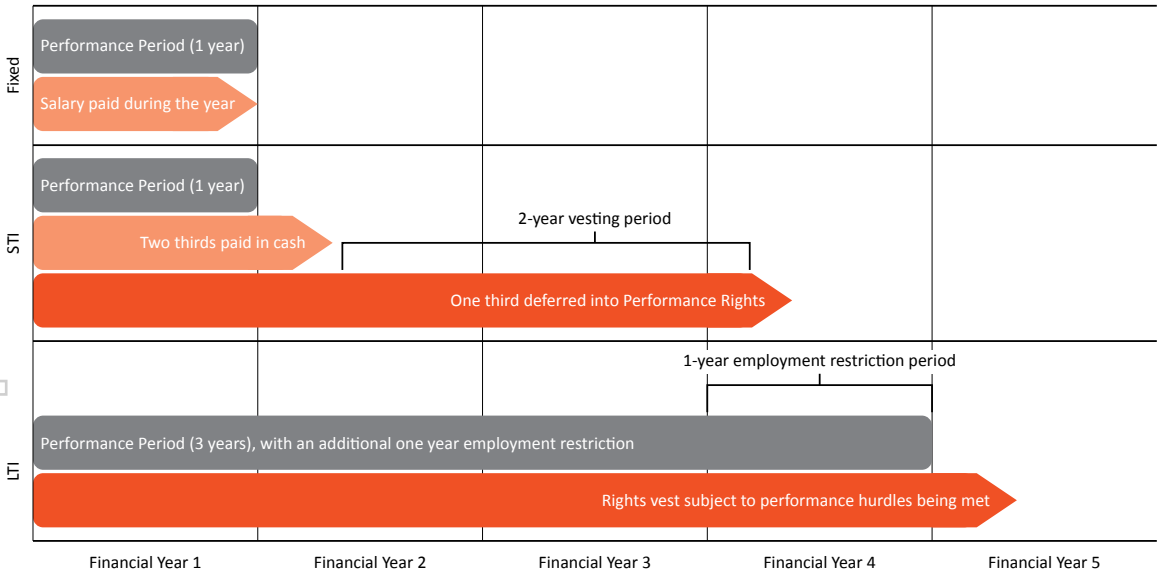


Fixed	**45%**
STI	**23%**
LTI	**32%**

3.4. Reward delivery

Effective from the start of the financial year ended 30 June 2020, each remuneration component for Orora's Executive KMP is delivered over a one to three-year horizon, with an additional one year employment restriction until vesting, on the LTI. **Chart 1** demonstrates the delivery of each remuneration component from the commencement of the performance period for each component in Financial Year 1.

Chart 1



LTI structure, vesting and performance period for prior financial years

FY18 and FY19 LTI grants which have not yet vested comprised performance rights and options. These awards are subject to a four year vesting period. Immediately following completion of the vesting period, the performance conditions applicable to the relevant financial year are tested to determine whether, and to what extent, awards vest. Details of the vesting periods and performance conditions for these financial years are outlined in section 4.6. To the extent that performance rights or options have not vested following testing, they will lapse (i.e. participants forfeit their interests in the performance rights or options).

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On 30 April 2020, Orora completed the sale of its Australasian Fibre business. Following the sale and General Meeting held on 16 June 2020, Orora completed a capital return of $600 million to shareholders on 29 June 2020 on a pre-consolidated basis. Shareholders approved a consolidation of Orora shares at the general meeting to adjust Orora's number of shares equivalent to the quantum of the cash return. The capital return and share consolidation required the Orora Board to consider any potential impact on Orora's employee equity incentive plans, under the rules governing the Orora equity incentive plans, to minimise or eliminate any material advantage or disadvantage to employees resulting from the return of capital and share consolidation. Options on foot under the LTI grants were restructured, but this resulted in no material change to the quantum or exercise price of options awarded. Further information on this can be found in the notice for the General Meeting held on 16 June 2020.

The Board has considered the impact of the Australasian Fibre sale on the LTI awards that are on foot, to ensure fair and equitable treatment to employees, aligned to shareholders' interests. As a result, the Board determined to make no change to the performance hurdles under the LTI plans that are on foot, but has exercised its discretion to re-base the EPS calculation to exclude the Australasian Fibre business which has been sold. This change applies to LTI grants with a vesting date of August 2021 and beyond. The Board determined that this change would not apply to the FY17 LTI which had a performance period end date of 30 June 2020.

4. FY20 Executive KMP remuneration

Orora has a strong performance-based culture. The Board seeks to foster this through rewarding Senior Executives for the achievement of the Group's short-term and long-term strategy and business objectives in a manner consistent with Orora's company values and with a view to generating above-average, sustainable returns for shareholders. The Board retains discretion on variable remuneration outcomes to mitigate the risk of unintended award outcomes, and to alter the vesting conditions of Performance Rights in certain circumstances. As noted above, the Board has exercised its discretion to re-base the EPS calculation for LTI awards for eligible employees to exclude the Australasian Fibre business which has been sold. This change applies to LTI grants with a vesting date of August 2021 and beyond.

On the retirement of Mr Nigel Garrard as Managing Director and Chief Executive Officer on 30 September 2019, the Board determined that Mr Garrard would be treated as a good leaver for the purposes of his entitlements upon termination. In accordance with the Equity Incentive Plan rules, this resulted in the early vesting of Mr Garrard's FY18 STI deferred performance rights, and the granting of the FY19 STI award by way of a cash payment, rather than one third as deferred performance rights. The Board determined that Mr Garrard would not receive an STI award for the year ended 30 June 2020. In respect of the LTI, the Board determined that Mr Garrard would retain 50% of the FY19 LTI awards, and all of the FY17 and FY18 LTI awards, with the awards continuing to be subject to the performance conditions of the respective grants. Following testing of the performance conditions of the FY17 LTI in August 2020, none of FY17 LTI grants vested. Mr Garrard ceased to be an Executive KMP on 30 September 2019, but remained an employee until 31 March 2020, including to serve out his notice period, and received annual and long service leave entitlements on termination. Further information is contained in Table 8.

4.1. Shareholder return information

Table 4 summarises key indicators of the performance of the Orora Group and relevant shareholder returns over the financial year ended 30 June 2020. For the purposes of comparison to prior years, Table 4 shows total operations of the Group including the Australasian Fibre business which was sold during the period, and which is presented in the Financial Report as a discontinued operation.

Table 4

Financial summary for year ended 30 June (Total Operations)	**2020**[1]	2019[2]	2018[2]	2017[2]	2016[2]
EBIT ($m)	**289.2**	335.2	323.4	302.3	272.1
Dividends per ordinary share (cents)	**12.0**	13.0	12.5	11.0	9.5
Closing share price (as at 30 June)	**$2.54**	$3.24	$3.57	$2.86	$2.76
EPS growth (%)	**(22.4%)**	3.7%	11.5%	14.6%	24.8%
NPAT ($m)	**168.3**	217.0	214.1	186.2	162.7
TSR (%)[3]	**(13.4%)**	(5.6%)	29.0%	5.9%	36.1%
Operating cash flow[4] ($m)	**59.1**	268.9	325.3	331.4	313.8
RoAFE[5] (%)	**12.1%**	13.0%	14.0%	13.6%	12.7%
AWC as a % of Sales (%)	**10.1%**	10.3%	9.1%	8.4%	9.6%

(1) EBIT, NPAT, EPS growth and RoAFE exclude the impact of the significant expense item of $137.2 million (after tax $100.1 million) in respect of restructuring and asset recoverable amount impairment that have been identified through a review of the North American operations, and a significant item benefit of $164.0 million (after tax $171.7 million) relating to the sale of Orora's Australasian Fibre business to Nippon Paper Industries Co., Limited. Refer to Note 1.2 of the financial statements for further details.

(2) EBIT, NPAT, EPS growth and RoAFE exclude the impact of the significant expense items as referred to in Note 1.2 of the financial statements, and in section 4.2. Details of significant expense items excluded from these measures, for each year in the above table, can be found in the relevant 2016-2019 Annual Reports.

(3) Total shareholder return (TSR) is calculated as the change in share price for the financial year, plus dividends paid during the financial year, divided by the opening share price for the financial year.

(4) Operating cash flow excludes cash significant items that are considered to be outside the ordinary course of operations and non-recurring in nature but includes net capital expenditure.

(5) Return on average funds employed (RoAFE) is calculated as EBIT excluding significant items divided by average funds employed.

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4.2. Pay for performance

The Board has set challenging financial and non-financial performance targets for Executive KMP and other Senior Executives and has directly aligned incentives to the achievement of those targets for the financial year ended 30 June 2020.

The "Pay for Performance" link is clear:

Target performance achieved = target rewards paid.

Above-target performance achieved = above-target rewards paid.

Where the Orora Group's performance does not meet the Board's performance targets, either reduced or no benefits are earned from an Executive KMP and other Senior Executives' at-risk short-term or long-term incentive components.

An outline of the Orora Executive KMP remuneration framework is set out in section 3.2.

A summary of the outcomes for each reward component in the financial year ended 30 June 2020 is provided in sections 4.3, 4.4 and 4.5 in respect of the Executive KMP.

4.3. Fixed remuneration

Fixed remuneration is reviewed for each of the Executive KMP by referencing the market median remuneration for similar roles in listed companies, of similar size to Orora, competing in comparable geographic locations.

A minor adjustment was made in October 2019 for Mr Stuart Hutton to reflect both individual performance and positioning against the market. An adjustment was made for Mr Brian Lowe in October 2019 to reflect his appointment as Managing Director and Chief Executive Officer, reflecting this position against the market. Reflecting challenging global economic conditions, the Board has assessed remuneration movements and, in line with market, the Board has determined that there will be no remuneration increase for the executive KMP for the financial year ending 30 June 2021.

4.4. Short-term incentive (STI)

As outlined in section 3.2, the Orora STI consists of two components, a cash component and a deferred equity component. Two-thirds of any STI award made annually is paid in the form of cash following the release of the end of year financial results, and one-third is deferred for a period of two years into time-based performance rights.

Orora's executives are rewarded for annual performance against challenging business plans as well as longer term returns for shareholders. Performance measures are carefully selected at the start of the financial year that align to the key short-term priority areas for the Orora Group. An overview of achievements against each of the performance measures selected for the financial year ended 30 June 2020 is included in Table 5. The STI assessment includes a number of financial and non-financial metrics (at a Group and individual level). The EBIT and RoAFE financial metrics were not met, with EBIT and RoAFE results below prior corresponding period and below the target for the financial year ended 30 June 2020. This year's STI outcomes reflect the more challenging economic and market conditions, demonstrating the strong alignment between financial performance, executive remuneration outcomes and the challenging nature of the objectives. The Board did not exclude the impact of COVID-19 on the Group's financial performance in the assessment of STI outcomes.

Achieving completion of a sale of the scale and complexity of the Australasian Fibre business, and doing so whilst at the same time addressing the challenges associated with COVID-19, was a significant achievement by the Orora team. As a result, the Board has exercised its discretion to award a one-off bonus to the Executive KMP who led the sale and completion process as part of the STI program, equating to 20% of their fixed remuneration. Including this one off bonus, STI payments for the Executive KMP were paid out between 50.8 – 54.7% of their maximum STI opportunity. Excluding the one off bonus for the Australasian Fibre sale, the outcomes were paid out between 24.2 – 28.0% of maximum STI opportunity.

Significant items (both positive and negative) are assessed each year by the Board to determine whether any significant items should be included in the STI assessment, and in the past have been generally excluded for the purpose of measuring performance for STIs as they are not part of ordinary trading results. The Board has determined that the impact of the significant item expenses and gains relating to restructuring and impairment charges in North America and the sale of Orora's Australasian Fibre business to Nippon Paper Industries Co., Limited will be excluded.

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Table 5[1]

KPI	Weighting	Overview of performance
Group earnings Earnings before Interest and Tax (EBIT)	50%[2]	The challenging market conditions saw EBIT for the continuing businesses[1] down 14.3% compared to the year ended 30 June 2019, with underlying EPS[3] before significant items down from 17.2 cents for the financial year ended 30 June 2019, to 13.2 cents.
Group returns Return on average funds employed (RoAFE)	10%	In a difficult operating environment RoAFE fell from 19.5% to 16.0% in the financial year ended 30 June 2020.
Group asset management Average working capital (AWC) as a % of sales	10%	AWC continued to be a priority and the result for the financial year ended 30 June 2020 was better than the medium/long-term goal of being less than 10% of sales at 8.3%.
Personal strategic measures Performance against strategic measure/s in area of strategic influence	30%	The outcome of these measures varied by individual Executive KMP, and by individual objective, with assessments ranging from "partially achieved/not achieved" to "partially achieved/fully achieved"
Total Scorecard	**100%**	
Safety Overlay Performance and leadership against a selection of key safety metrics	If not met, may reduce STI award by up to 10%	Safety results for the financial year ended 30 June 2020 were positive, reflecting a tangible improvement in performance. As such, no overlay was applied but safety improvement initiatives continue across the business.

(1) Table 5 shows results for the Continuing Businesses. The Continuing Businesses comprise the Beverage Business in Australasia and Orora Packaging Solutions and Orora Visual in North America. The Australasian Fibre business, which was sold on 30 April 2020, has been treated as a discontinued operation, with earnings disclosed separately in the FY20 financial statements.

(2) A stretch weighting of 100% applies.

(3) EPS is calculated on the basis that the share consolidation that was completed in June 2020, was in effect from 1 July 2018.

At the conclusion of the financial year ended 30 June 2020, the Board made an assessment on the performance of each Executive KMP against each of the agreed performance measures, and determined any STI award outcome payable based on this assessment. In their assessment, the Board also considered how the Executive KMP achieved performance:

- aligned to Orora's strategic objectives and company values;
- how proactive they were in overcoming challenges in the delivery of the final outcome; and
- what their individual contribution was to the collective outperformance of Orora.

Details of the Executive KMP STI opportunity and actual payments received for the financial year ended 30 June 2020 are provided in **Table 6**.

Table 6

Name	STI % range	STI Target % of TFR	Total STI earned[1] ($)	STI earned as % of TFR	% of Maximum STI forfeited	Cash STI ($)	Deferred Performance Rights $	Deferred Performance Rights Number[2]
Executive Directors								
B P Lowe[3]	0% to 100% of TFR	70.0%	512,500	54.7%	45.3%	341,667	170,833	66,214
N D Garrard[4]	0% to 100% of TFR	70.0%	–	–	100%	–	–	–
Other Executive KMP								
S G Hutton	0% to 75% of TFR	50.0%	264,969	38.1%	49.2%	176,646	88,323	34,234

(1) The Total STI earned is calculated based on the Board's assessment of the Executive KMP's performance against the agreed STI performance measures. In addition, during the financial year ended 30 June 2020, the Board exercised its discretion to award a one off contribution to the Executive KMP for their significant contribution to the achievement of the Australasian Fibre business sale as part of the STI plan, equating to 20% of their fixed remuneration.

(2) The cash and deferred performance rights will be granted in September 2020. Deferred performance right allocations are determined based on the volume-weighted average price of the Company's shares for the five trading days prior to 30 June 2020 ($2.58 per share). The Company intends that where deferred performance rights vest under the STI, the right to acquire a share in respect of each deferred performance right will be satisfied by the Company arranging to acquire shares on behalf of the recipient on market, however the Company may instead issue new ordinary shares to the recipient.

(3) Mr Brian Lowe was appointed Managing Director and Chief Executive Officer on 1 October 2019 and was designated a KMP from this date. The employee benefits in the above table for Mr Lowe therefore represent the period over which he was identified as a KMP, being 1 October 2019 to 30 June 2020. Shareholder approval was obtained at 2019 Annual General Meeting for the grant of deferred performance rights to Mr Lowe for the financial year ended 30 June 2020.

(4) Mr Nigel Garrard retired as Managing Director and Chief Executive Officer of the Company on 30 September 2019 and the Board exercised its discretion not to grant any STI award to Mr Garrard for the year ended 30 June 2020.

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STI deferred performance rights

The Board considers the use of time-restricted equity in the form of deferred performance rights to be a key component of Orora's STI program. Orora uses deferred performance rights to provide for greater talent retention and alignment with shareholders' interests through exposure to Orora's share price movements.

The number of performance rights to be allocated under the STI to the Executive KMP is calculated as:

- one-third of the total STI award payable following the end of the performance period, divided by
- the volume-weighted average price of Orora shares for the five trading days prior to 30 June (the end of the performance period).

The vesting of deferred performance rights is subject to a continued service condition of two years (from the date of the grant).

Each Executive KMP's allocation is subject to a risk of forfeiture if they either voluntarily leave Orora's employment during the restriction period, or if employment is terminated for cause, and is subject to claw-back provisions which will apply if an Executive KMP member has acted in a manner contrary to Orora values or in a manner that brings Orora, the Group or any company within the Orora Group into disrepute.

4.5. Long-term incentive (LTI)

This section summarises both the LTI component of remuneration offered, and prior year LTI offers that vested, for the Executive KMP, during the financial year ended 30 June 2020.

4.5.1. LTI awarded during the year

Incentive Securities

The LTI grant during the financial year ended 30 June 2020 (FY20 LTI Grant) was made up of 100% performance rights to acquire fully paid ordinary shares in the Company (Rights).

Performance period and vesting

Performance will be assessed for the period from 1 July 2019 to 30 June 2022.

Vesting will occur following the release of the full year results for the financial year ending 30 June 2022, anticipated to be in August 2022, but will be subject to an additional one year employment restriction before vesting.

Performance hurdles

The performance hurdles that apply to the FY20 LTI Grant are detailed in **Table 7**, and consist of:

- EPS hurdle, with a separate minimum "gateway" based on return on RoAFE; and
- TSR hurdle, which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group (relative TSR), with a separate "gateway" based on absolute TSR (aTSR), which requires that aTSR must not be negative.

The combination of RoAFE and EPS represents a strong measure of overall business performance. The use of a relative TSR condition for Rights provides a shareholder perspective of the Company's relative performance against comparable ASX-listed companies, and actual shareholder returns, with the introduction of an aTSR gateway.

Orora engages the services of an external provider to calculate TSR performance, to ensure independent TSR measurement.

Table 7

LTI hurdles

Managing Director & Chief Executive Officer and other Executive KMP	
EPS (with RoAFE gateway) 50% weighting	Relative TSR (with absolute TSR gateway) 50% weighting
Performance Rights	Performance Rights

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- **EPS hurdle with RoAFE gateway**

Incentive Securities subject to the EPS hurdle first need to meet a minimum RoAFE gateway in order to vest according to the EPS vesting schedule in **Chart 2**.

RoAFE is calculated as earnings before interest and tax (excluding significant items, subject to Board discretion) divided by the average funds employed in each financial year at the 30 June testing date.

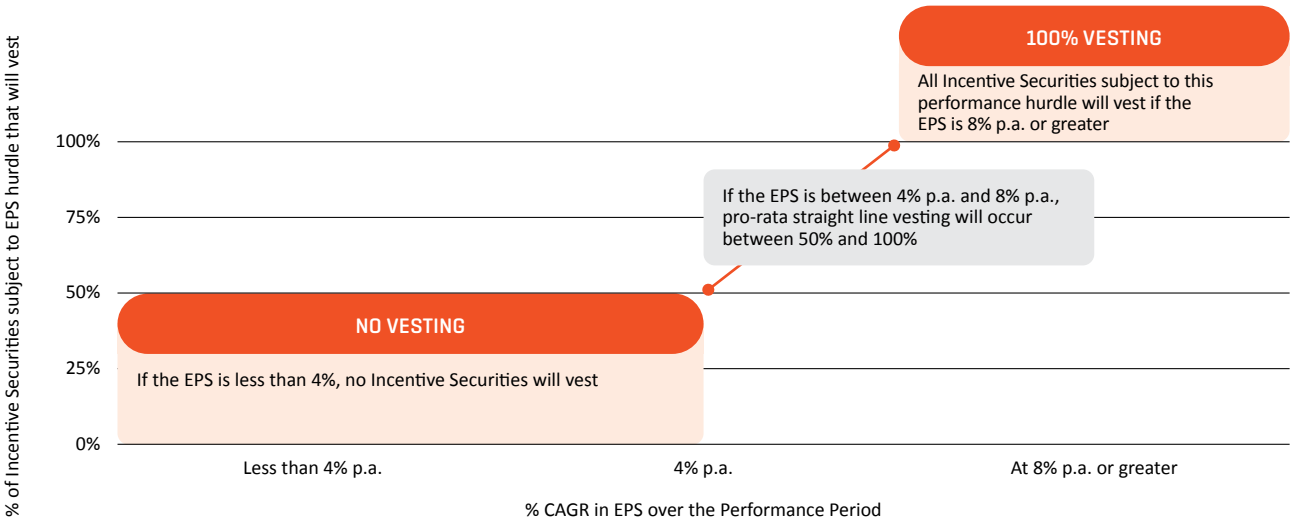
The RoAFE gateway, for the LTI grant for the financial year ended 30 June 2020 is 12.5%. If the RoAFE gateway is not met in the relevant performance period set out above (Performance Period), all Incentive Securities in that grant subject to the EPS hurdle will lapse. If the RoAFE gateway for the grant is met in the relevant Performance Period, the Incentive Securities subject to the EPS hurdle will vest in accordance with the EPS vesting schedule in **Chart 2**.

EPS measures the earnings generated by the Company attributable to each Orora share. EPS is calculated based on net profit after tax (NPAT) excluding significant items calculated on a constant currency basis (subject to Board discretion) for the relevant financial year, divided by the weighted average number of Orora shares on issue.

The growth in the Company's EPS over the relevant Performance Period will be calculated as the increase in audited EPS over the base of 18 cents (the normalised EPS outcome for the financial year ended 30 June 2019). The compound growth in EPS will be expressed as a cumulative percentage.

The percentage of Incentive Securities subject to the EPS hurdle (which vest subject to achievement of the RoAFE gateway) will be determined based on the performance achieved against the EPS vesting schedule set out in **Chart 2**, subject to any adjustments for significant items that the Board, in its discretion, considers appropriate.

Chart 2



- **TSR hurdle with absolute TSR (aTSR) gateway**

TSR measures the growth in the Company's share price together with the value of dividends declared and paid or any other returns of capital during the Performance Period against companies ranked 50 to 150 on the S&P/ASX index as at 1 July 2019 (Comparator Group) (relative TSR).

The share price used to calculate the TSR of the Company and each Comparator Group company for the Performance Period will be measured as follows:

- the opening share price is the volume-weighted average price on the ASX of the Company, or the applicable Comparator Group company, for the final five trading days of the previous financial year (up to 30 June 2019)
- to ensure the impact of share price volatility is minimised, the closing price will be the volume-weighted average price on the ASX of the Company, or the applicable Comparator Group company, for the 20 trading days ending on the last trading day of the Performance Period (up to 30 June 2022).

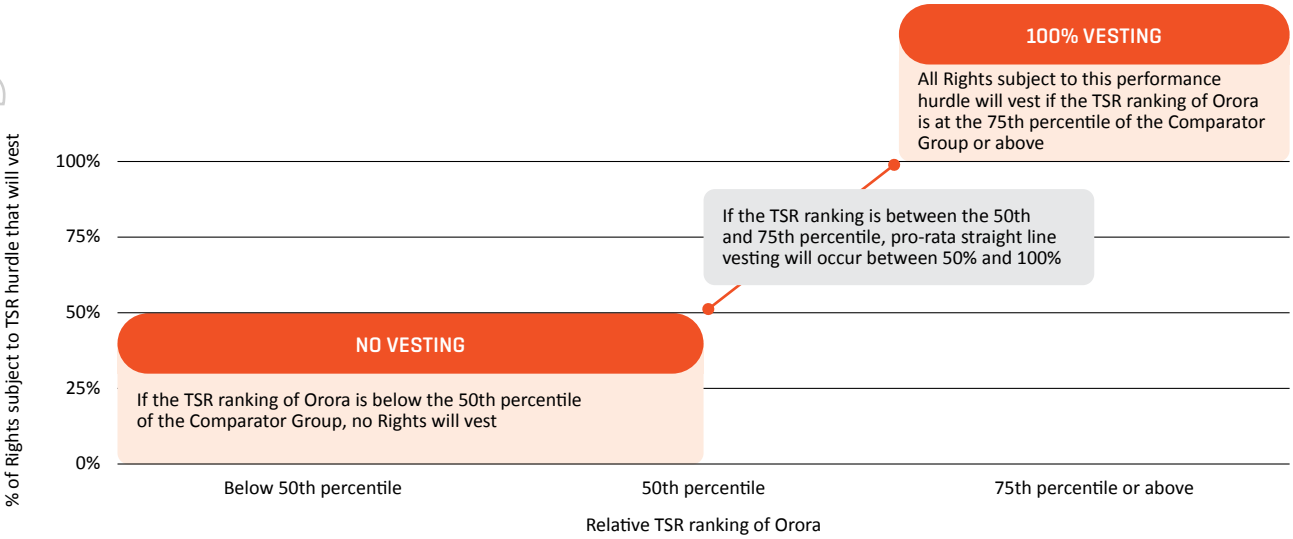
The percentage of Rights subject to the TSR hurdle that vest, if any, will be determined by reference to the percentile ranking achieved by the Company, over the relevant Performance Period, compared to the other entities in the Comparator Group as outlined in **Chart 3**.

Rights subject to the TSR hurdle first need to meet a minimum aTSR gateway in order to vest according to the vesting schedule in **Chart 3**.

The aTSR gateway is a condition that Orora's aTSR over the Performance Period must not be negative. If Orora's aTSR over the Performance Period is negative, no Rights subject to the TSR hurdle will vest, regardless of Orora's relative TSR performance against the Comparator Group.

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Chart 3



Key features of the LTI

- The applicable rules for the LTI (Plan Rules) contain forfeiture and claw back provisions which will apply if an Executive KMP member has acted in a manner contrary to Orora values or in a manner that brings Orora, the Group or any company within the Orora Group into disrepute.
- The Board also retains discretion to alter the vesting conditions of awards under the LTI where there is a material event (such as an acquisition, divestment or change of control) or other strategic initiative that affects the Company's capital structure and the relevance of the vesting conditions.
- The capital return and share consolidation required the Orora Board to consider any potential impact on Orora's employee equity incentive plans, under the rules governing those plans, to minimise or eliminate any material advantage or disadvantage to participants resulting from the return of capital and share consolidation. There was no change to Performance Rights. Information relating to options is set out on page 44.
- The Board has determined to retain the existing performance hurdles and vesting conditions for the on foot awards under the LTI following the sale of the Australasian Fibre business, but has exercised its discretion to re-base the EPS calculation to continuing businesses only for awards that remain on foot. This change only applies to grants with a vesting date of August 2021 and beyond. It does not apply to the FY17 LTI which had a performance period end date of 30 June 2020.
- Executive KMP are subject to the requirements of the Company's Share Trading Policy when dealing with Incentive Securities.
- Any dealing in respect of an unvested Right or unvested or unexercised Option is prohibited, unless the Board determines otherwise or the dealing is required by law.
- Incentive Securities do not carry any dividend or voting rights prior to vesting and, where applicable, prior to exercise.
- Executive KMP are not obliged to participate in the LTI offer.

4.5.2. LTI outcomes for the year

The performance period for the FY17 LTI award granted to Executive KMP during the financial year ended 30 June 2017 was 1 July 2016 to 30 June 2020. The FY17 LTI award was tested following the end of the financial year ended 30 June 2020. The RoAFE gateway performance hurdle was not met, therefore it was not necessary to test the EPS hurdle. The Relative TSR hurdle was not achieved. Accordingly, as the performance hurdles were not achieved, the FY17 LTI award did not vest.

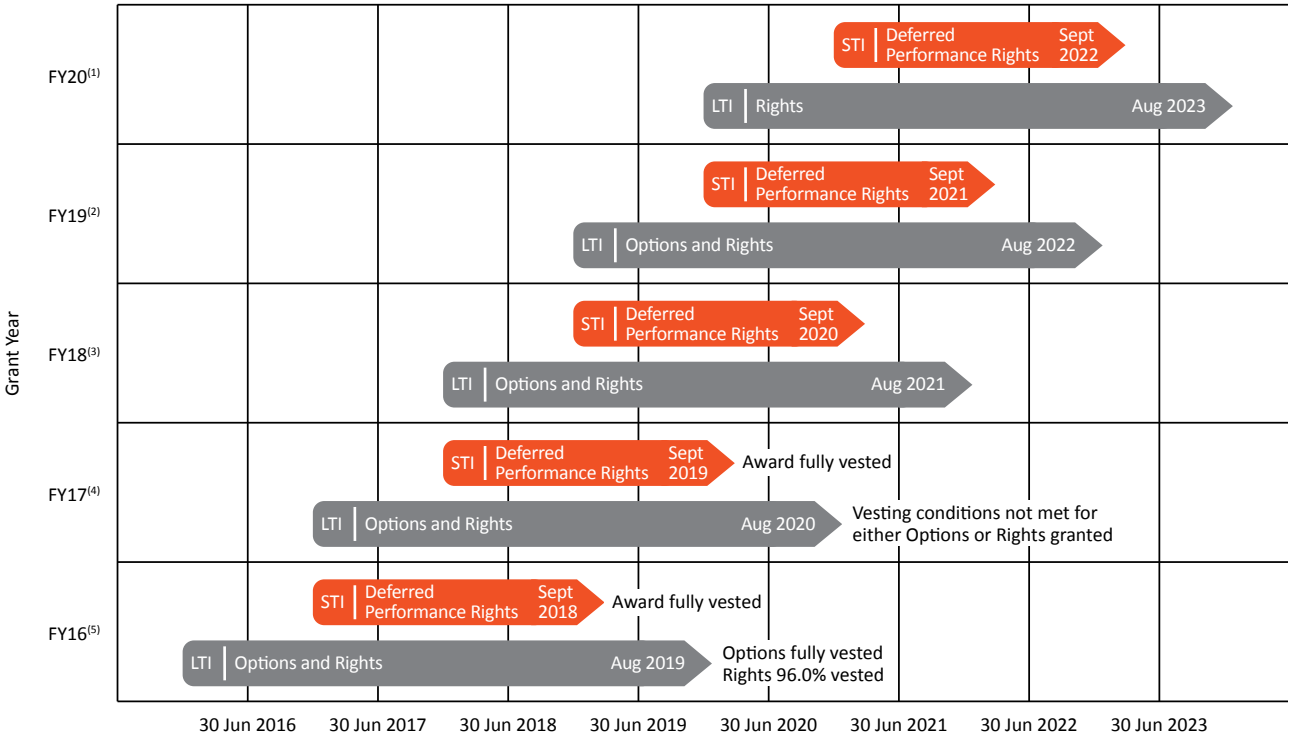
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4.6. Grants of Options and Rights affecting remuneration

Chart 4 details awards granted that have recently been tested or are still in progress (remain unvested) which impact Executive KMP remuneration for the financial year ended 30 June 2020.

Chart 4



Full service and performance conditions for rights and options granted in previous financial years are summarised in the Remuneration Report for the relevant year of grant.

(1) Following shareholder approval at the 2019 Annual General Meeting in respect of the grant of STI deferred performance rights to Mr Brian Lowe, the STI deferred performance rights will be granted in September 2020 (as noted in Table 6, footnote 2). Vesting of STI deferred performance rights is subject to a continued service condition of two years (from the date of grant). The cash component of the STI award to Mr Lowe will be paid in September 2020. Mr Nigel Garrard retired as Managing Director and Chief Executive Officer on 30 September 2019. The Board determined that Mr Garrard would not receive an STI award for the year ended 30 June 2020, and was not granted an FY20 LTI award. The LTI for Mr Lowe was granted on 22 November 2019 following shareholder approval at the 2019 Annual General Meeting. LTI grants to all Other Executive KMP (other than Mr Garrard) occurred on 4 October 2019. Vesting is subject to the EPS hurdle with a RoAFE gateway and Relative TSR hurdle (comparator group: ASX 50-150) with aTSR gateway. Vesting date will be following the announcement of the full year results for the financial year ending 30 June 2022, and prior to the ex-dividend date for the full year dividend, and is then subject to a one year post-vesting employment restriction.

(2) Shareholders approved a maximum grant of STI deferred performance rights to Mr Garrard at the 2018 AGM. The number of rights to ordinary shares for this grant would be determined following the financial year ended 30 June 2019, and be subject to a continued service condition of two years (from the date of grant). On the retirement of Mr Garrard as Managing Director and Chief Executive Officer of the Company on 30 September 2019, as a good leaver, the Board exercised its discretion to grant the STI award by way of a cash payment rather than rights to ordinary shares. The amount paid to Mr Garrard was equivalent to the value of shares he would have received based on a VWAP of Orora shares for the five trading days up to and including 30 June 2019 of $3.23. For all Other Executive KMP, vesting of STI deferred performance rights granted is subject to a continued service condition of two years (from the date of grant). The FY19 LTI was granted on 22 October 2018. Vesting is subject to the EPS hurdle with a RoAFE gateway, Relative TSR hurdle (comparator group: ASX 30-130) with aTSR gateway and the Company's share price being greater than the exercise price for Options. Vesting date will be following the announcement of the full year results for the financial year ending 30 June 2022, and will occur prior to the ex-dividend date for the full year dividend. The Options may be exercised after vesting until their expiry date (being five years from the date of vesting). Upon the retirement of Mr Garrard, the Board determined to leave 50.0% of his FY19 LTI awards on foot, with the awards subject to the performance conditions of the grant. The remaining 50.0% of the FY19 LTI awards have been forfeited.

(3) FY18 STI deferred performance rights granted to Mr Garrard were early vested upon the retirement of Mr Garrard as Managing Director and Chief Executive Officer based on the exercise of Board discretion. For all Other Executive KMP, vesting of STI deferred performance rights granted is subject to a continued service condition of two years (from the date of grant). The FY18 LTI was granted on 20 October 2017. Vesting is subject to the EPS hurdle with a RoAFE gateway, Relative TSR hurdle (comparator group: ASX 30-130) with aTSR gateway and the Company's share price being greater than the exercise price for Options. Vesting date will be following the announcement of the full year results for the financial year ending 30 June 2021, and will occur prior to the ex-dividend date for the full year dividend. The Options may be exercised after vesting until their expiry date (being five years from the date of vesting). Upon his retirement, the Board determined that Mr Garrard would retain his FY18 LTI awards, with the awards subject to the performance conditions of the grant.

(4) The FY17 LTI was granted on 30 October 2016. Following testing in August 2020 of the EPS hurdle with a RoAFE gateway, Relative TSR hurdle (comparator group: ASX 30-130) none of the LTI grants vested.

(5) The FY16 LTI was granted on 30 October 2015. 96% of Rights and 100% of Options of LTI grants vested on 22 August 2019 following testing of the EPS hurdle with RoAFE gateway, Relative TSR hurdle (comparator group: ASX 50-150) and the Company's share price being greater than exercise price for the Options. The Options vested may be exercised until their date of expiry (being five years from the date of vesting).

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4.7. Summary of all remuneration received by Executive KMP

Details of the nature and amount of each element of remuneration of the Executive KMP are presented in **Table 8**.

Table 8

		Employee benefits							
		Short term			Long term	Post employment		Value of share-based payments[2]	
		Base Salary	Other benefits[1]	Cash STI	Long service leave	Super-annuation benefits	Other payments[4]	Options and rights	Total employee compensation
Executive Director									
B P Lowe Managing Director and Chief Executive Officer[3]	**2020**	**921,748**	**–**	**341,667**	**91,000**	**15,752**	**–**	**314,574**	**1,684,741**
N D Garrard Managing Director and Chief Executive Officer[4]	**2020**	**962,998**	**–**	**–**	**19,772**	**15,752**	**520,065**	**676,529**	**2,195,116**
	2019	1,284,468	246	303,739	32,053	23,138	–	1,348,571	2,992,215
Other Executive KMP									
S G Hutton Chief Financial Officer	**2020**	**670,247**	**–**	**176,646**	**16,565**	**25,000**	**–**	**348,461**	**1,236,919**
	2019	655,718	–	79,787	22,362	25,000	–	486,299	1,269,166
Total	**2020**	**2,554,993**	**–**	**518,313**	**127,337**	**56,504**	**520,065**	**1,339,564**	**5,116,776**
	2019	1,940,186	246	383,526	54,415	48,138	–	1,834,870	4,261,381

(1) Other benefits include costs associated with employment (inclusive of any applicable fringe benefits tax).

(2) The figures in this column for share-based payments are not actually provided to the Executive KMP in the financial periods presented. The amounts represent the accounting fair value of restricted shares, options, rights and performance rights granted, collectively referred to as the "grants". In accordance with the Accounting Standards the accounting fair value of the grants is recognised proportionally over the grant's performance period. Refer to sections 4.4 and 4.6 for further details of the grants, their performance conditions and performance periods. Changes in the value of share-based payments is primarily due to awards being expensed over their respective performance periods. The amounts presented above, for both 2019 and 2020, represent management's best estimate, at the date of this report, of the likelihood that the performance conditions of the grants will be met and will therefore vest, at which point the Executive KMP will be entitled to receive the share-based payment. If the performance conditions are not met, the Executive KMP will not be entitled to the share-based payment.

(3) Mr Brian Lowe was appointed Managing Director and Chief Executive Officer on 1 October 2019 and was designated a KMP from this date. The employee benefits in the above table for Mr Lowe therefore represent the period over which he was identified as a KMP, being 1 October 2019 to 30 June 2020.

(4) Mr Nigel Garrard retired as Managing Director and Chief Executive Officer on 30 September 2019 and ceased to be designated as a KMP from this date. The employee benefits above for Mr Garrard represent the period 1 July 2019 to 31 March 2020 which includes notice period. The amounts disclosed in other payments' represent the value of Mr Garrard's annual and long service leave entitlements received on retirement. Mr Garrard remained an employee for six months during his notice period to assist with the sale of the Australasian Fibre business but he was not a KMP. He was paid his salary for the duration of his additional employment. Mr Garrard's retirement arrangements do not exceed 12 months' fixed remuneration.

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4.8. Executive KMP: Ordinary shareholding and holding of Options and Rights over equity instruments

Table 9 shows the movements of Orora ordinary shares, and the Options and Rights over Orora ordinary shares, held directly, indirectly or beneficially, by each Executive KMP, including their related parties during the financial year ended 30 June 2020 and for the comparative period.

Table 9

			Movements during the financial period						Other information	
Name and holding		Opening balance	Granted/ received on exercise[1]	Sold/ exercised	Purchased	Forfeited/ Lapsed[2]	Other[3]	Closing Balance	Vested during the year[4]	Accounting fair value of grant yet to vest ($)[5]
Executive Director										
B P Lowe[6]										
Ordinary Shares	**2020**	**737,684**	**–**	**–**	**100,054**	**–**	**(167,547)**	**670,191**	**–**	**–**
Short Term Incentive Awards										
– *Deferred Performance Rights*	**2020**	**31,465**	**–**	**–**	**–**	**–**	**–**	**31,465**	**–**	**97,604**
Long Term incentive Awards										
– *Share Options*	**2020**	**1,251,500**	**–**	**–**	**–**	**–**	**–**	**1,251,500**	**–**	**684,000**
– *Performance Rights*	**2020**	**349,500**	**270,900**[8]	**–**	**–**	**–**	**–**	**620,400**	**–**	**1,342,957**
N D Garrard[7]										
Ordinary Shares	**2020**	**2,914,571**	**2,018,852**	**(3,583,385)**	**510**	**–**	**–**	**1,350,548**	**–**	**–**
	2019	3,893,684	2,618,464	(3,598,464)	887	–	–	2,914,571	–	–
Short Term Incentive Awards										
– *Deferred Performance Rights*	**2020**	**194,712**	**–**	**(194,712)**[4]	**–**	**–**	**–**	**–**	**194,712**	**–**
	2019	248,493	75,183	(128,964)	–	–	–	194,712	128,964	593,023
Long Term incentive Awards										
– *Share Options*	**2020**	**4,870,000**	**–**	**(1,383,500)**[4]	**–**	**(333,000)**	**–**	**3,153,500**	**1,383,500**	**2,377,120**
	2019	5,954,000	666,000[9]	(1,750,000)	–	–	–	4,870,000	1,750,000	2,503,660
– *Performance Rights*	**2020**	**1,429,500**	**–**	**(440,640)**[4]	**–**	**(155,110)**	**–**	**833,750**	**440,640**	**1,731,194**
	2019	1,895,500	273,500[9]	(739,500)	–	–	–	1,429,500	739,500	2,733,481
Other Executive KMP										
S G Hutton										
Ordinary Shares	**2020**	**445,078**	**646,715**	**(525,000)**	**82,033**	**–**	**(129,764)**	**519,062**	**–**	**–**
	2019	966,948	862,525	(1,384,395)	–	–	–	445,078	–	–
Short Term Incentive Awards										
– *Deferred Performance Rights*	**2020**	**62,934**	**12,350**[7]	**(34,375)**[4]	**–**	**–**	**–**	**40,909**	**34,375**	**122,688**
	2019	81,900	28,559	(47,525)	–	–	–	62,934	47,525	192,398
Long Term incentive Awards										
– *Share Options*	**2020**	**1,714,500**	**–**	**(464,500)**[4]	**–**	**–**	**–**	**1,250,000**	**464,500**	**683,430**
	2019	2,046,500	243,000[9]	(575,000)	–	–	–	1,714,500	575,000	833,165
– *Performance Rights*	**2020**	**502,500**	**150,600**[8]	**(147,840)**[4]	**–**	**(6,160)**	**–**	**499,100**	**147,840**	**990,698**
	2019	643,000	99,500[9]	(240,000)	–	–	–	502,500	240,000	994,117

(1) The aggregate equity securities granted to/received by all participants in each of the equity incentive schemes (other than the Executive KMP), during the 2020 financial year are as follows: STI (deferred performance rights) 281,543 and LTI Rights 1,417,900. In respect of the LTI, awards are only exercisable on satisfaction of performance conditions whilst the STI award vests on 1 September 2022. Each share option, performance right and deferred performance right entitles the holder to one fully paid Orora ordinary share. The fair value of all Options exercised by the Executive KMP during the financial year ended 30 June 2020 is as follows: Mr Stuart Hutton $329,795.

(2) The amounts in this column represent shares lapsed as vesting conditions of the grant were not met, or shares forfeited upon early retirement.

(3) At the General Meeting held on 16 June 2020, the Shareholders approved a share consolidation which reduced the number of Orora's ordinary shares on issue by converting every one share to 0.8 shares (5 shares became 4). This column represents the reduction in the Executive KMP ordinary share holding as a result of the share consolidation.

(4) Of the awards that vested during the period no price was payable in respect of the STI deferred performance rights or the LTI Rights, an exercise price of $2.08 per share was paid in respect of the LTI Options that vested and were exercised. There are no amounts unpaid on shares provided as a result of the exercise of STI deferred performance rights, LTI Rights or LTI Options during the financial year ended 30 June 2020. No LTI Options lapsed during the financial year ended 30 June 2020. There are no grants that have vested but not yet been exercised.

(5) The amounts in this column represent the maximum accounting value of the STI awards (deferred performance rights) and the LTI awards (Options and Rights) as at their grant date. The minimum possible total value of these grants is nil if the applicable performance/vesting conditions are not met.

(6) Mr Brian Lowe was appointed Managing Director and Chief Executive Officer effective 1 October 2019 and was designated as a KMP from this date. The opening balance of Mr Lowe's ordinary share holding, short term incentive awards and long term incentive awards in the above table represents the number of shares held for the respective holding at the date he was designated as a KMP.

(7) Mr Nigel Garrard retired as Managing Director and Chief Executive Officer effective 30 September 2019 and ceased to be designated as a KMP from this date. The closing balance of Mr Garrard's ordinary share holding, short term incentive and long term incentive awards in the above table represents the number of shares held for the respective holding at the date he ceased to be a KMP. Upon his resignation Mr Garrard forfeited 50.0% of the FY19 LTI awards (Options and Rights).

(8) The LTI Rights for Mr Hutton were granted on 4 October 2019, have an accounting fair value of $1.69. The LTI Rights for Mr Lowe were granted on 22 November 2019, have an accounting fair value of $2.23. Subject to meeting performance hurdles, the LTI Rights will vest into ordinary shares with an additional one year employment restriction. Any rights that do not vest will lapse. No exercise price is payable in respect of the Rights granted. No awards granted during the period vested during the period.

(9) The LTI Options and Rights were granted on 22 October 2018. The Options have an exercise price of $3.58, an accounting fair value of $0.38 at the date of the grant and will expire on 31 August 2027. The Rights granted have an accounting fair value of $1.72 for Mr Garrard and $1.91 for Mr Hutton, no exercise price is payable in respect of the Rights granted.

5. FY20 Non-Executive Director remuneration

5.1 Fee Policy

The Non-Executive Director fee policy enables the Company to attract and retain high-quality Directors with relevant experience. The fee policy is reviewed annually by the Human Resources Committee. The fees are set after consideration of fees paid by companies of comparable size, complexity, industry, and geography, and reflect the qualifications and experience necessary to discharge the Board's responsibilities.

The current Non-Executive Director aggregate fee limit is $1,900,000 as approved by shareholders at the 2015 Annual General Meeting.

Non-Executive Directors receive an annual fixed "base" fee for their role as Board members, plus additional fees for chair or membership of certain Board Committees to reflect the additional time and responsibility required. Members of the Nomination Committee and Executive Committee do not receive any additional fees. The Chair of the Board receives an annual fixed fee but does not receive additional fees for his involvement with Committees. No increase was made to fixed base fees or committee fees, during the financial year ended 30 June 2020.

5.2. Performance-based remuneration and minimum shareholding

Non-Executive Directors do not receive performance-based remuneration and are not granted equity instruments by Orora as part of their compensation.

The Board resolved in August 2020 to adopt an updated Board Charter that, amongst other things, specifies that Non-Executive directors will be expected to purchase Orora shares (at times when they are permitted to trade) to achieve a shareholding equivalent in value to one year's base fee remuneration within 5 years of joining the Board, or going forward, for existing Non-Executive Directors, and thereafter to maintain at least that level of shareholding throughout their tenure.

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5.3. Non-Executive Director remuneration outcomes

Table 10

$		Base and Committee Fees	Superannuation Benefits	Total Compensation
A R H Sindel[1]	**2020**	**277,180**	**19,900**	**297,080**
	2019	53,490	5,082	58,572
J L Sutcliffe	**2020**	**210,868**	**20,032**	**230,900**
	2019	210,909	20,036	230,945
A P Cleland	**2020**	**210,868**	**20,032**	**230,900**
	2019	210,909	20,036	230,945
S L Lewis	**2020**	**215,708**	**20,492**	**236,200**
	2019	215,795	20,501	236,296
T J Gorman[2]	**2020**	**184,417**	**–**	**184,417**
	2019	–	–	–
C I Roberts[3]	**2020**	**245,456**	**16,218**	**261,674**
	2019	397,531	25,000	422,531
G J Pizzey[4]	**2020**	**194,546**	**17,113**	**211,659**
	2019	210,909	20,036	230,945
Total	**2020**	**1,539,043**	**113,787**	**1,652,830**
	2019	1,299,543	110,691	1,410,234

(1) Mr Sindel joined the Board on 26 March 2019 and was appointed Chair of the Board effective 12 February 2020.

(2) Mr Gorman joined the Board on 2 September 2019 and was appointed Chair of the Human Resources Committee on 31 May 2020.

(3) Mr Roberts retired from the Board and as Chairman of the Board effective 12 February 2020. Compensation reflects part year due to retirement.

(4) Mr Pizzey retired from the Board effective 31 May 2020. Compensation reflects part year due to retirement.

5.4. Non-Executive Directors' ordinary shareholdings

Table 11

Number of shares		Opening balance	Purchased	Disposed	Other[1]	Closing balance
A R H Sindel[2]	**2020**	**–**	**110,000**	**–**	**(22,000)**	**88,000**
	2019	–	–	–	–	–
J L Sutcliffe	**2020**	**157,551**	**6,640**	**–**	**(32,836)**	**131,355**
	2019	152,262	5,289	–	–	157,551
A P Cleland	**2020**	**155,469**	**5,248**	**–**	**(32,143)**	**128,574**
	2019	151,288	4,181	–	–	155,469
S L Lewis	**2020**	**109,196**	**5,434**	**–**	**(22,925)**	**91,705**
	2019	104,867	4,329	–	–	109,196
T J Gorman[3]	**2020**	**–**	**70,000**	**–**	**(14,000)**	**56,000**
	2019	–	–	–	–	–
C I Roberts[4]	**2020**	**115,582**	**102,630**	**–**	**–**	**218,212**
	2019	579,269	4,582	(468,269)	–	115,582
G J Pizzey[5]	**2020**	**133,363**	**–**	**–**	**–**	**133,363**
	2019	133,363	–	–	–	133,363

(1) At the General Meeting held on 16 June 2020, the Shareholders approved the Share Consolidation which reduced the number of Orora's ordinary shares on issue by converting every one share to 0.8 shares (5 shares became 4). This column represents the reduction in the Directors ordinary share holding as a result of the Share Consolidation.

(2) Mr Sindel joined the Board on 26 March 2019 and was appointed Chair effective 12 February 2020.

(3) Mr Gorman joined the Board on 2 September 2019 and was appointed Chair of the Human Resources Committee on 31 May 2020.

(4) Mr Roberts retired from the Board and as Chairman effective 12 February 2020. The closing balance in the above table represents Mr Roberts' shareholding at the date of his retirement.

(5) Mr Pizzey retired from the Board effective 31 May 2020. The closing balance in the above table represents Mr Pizzey's shareholding at the date of his retirement.

Directors' Declaration

This Directors' Report is made in accordance with a resolution of the Directors.



A R Sindel
Chairman
17 September 2020

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AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration

As lead auditor for the audit of Orora Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orora Limited and the entities it controlled during the period.



ANTON LINSCHOTEN
Partner

PricewaterhouseCoopers

Melbourne
17 September 2020

FINANCIAL REPORT

This is the financial report of Orora Limited (the Company) and its subsidiaries (collectively referred to as the Group).

The financial report has been prepared in a style that attempts to make the report less complex and more relevant to shareholders. The note disclosures have been grouped into a number of sections with each section also including details of the accounting policies applied in producing the relevant note, along with details of any key judgements and estimates used.

Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes which follow also provide explanation and additional disclosures to assist readers in their understanding and the interpretation of the Annual Report and the financial statements.

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INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

$ million	Note	2020	2019
Continuing Operations			
Sales revenue	1.1	**3,566.2**	3,390.2
Cost of sales		**(2,912.7)**	(2,704.2)
Gross profit		**653.5**	686.0
Other income	1.4	**4.8**	3.4
Sales and marketing expenses		**(213.9)**	(192.4)
General and administration expenses		**(357.3)**	(304.5)
Profit from operations[(1),(2)]		**87.1**	192.5
Finance income	1.4	**0.6**	0.4
Finance expenses[(2)]		**(51.1)**	(39.8)
Net finance costs		**(50.5)**	(39.4)
Profit before related income tax expense		**36.6**	153.1
Income tax expense	4.1	**(9.0)**	(36.6)
Profit from continuing operations		**27.6**	116.5
Discontinued Operations			
Profit from discontinued operations, net of tax	6.2	**212.3**	44.7
Profit for the financial period attributable to the owners of Orora Limited		**239.9**	161.2
		Cents	**Cents**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Orora Limited			
Basic earnings per share	1.3	**2.9**	12.1
Diluted earnings per share	1.3	**2.8**	12.0
Earnings per share for profit attributable to the ordinary equity holders of Orora Limited			
Basic earnings per share	1.3	**24.9**	16.7
Diluted earnings per share	1.3	**24.7**	16.6

On 30 April 2020, the Group completed the sale of its Australasian Fibre business, refer note 6.2. Accordingly, the financial result of this business is presented separately as a discontinued operation within this consolidated income statement and the comparative period has been restated to reflect the current period presentation.

(1) Profit for the current period, for continuing operations, includes a significant item expense of $137.2 million (after tax $100.1 million) relating to restructuring activities and recoverable asset impairment charges in North America. Profit for the comparative period includes a significant item expense of $19.3 million (after tax $13.9 million) in respect of restructuring costs associated with re-sizing the business and $50.0 million (after tax $35.0 million) for additional decommissioning costs associated with the Petrie sale. Refer to note 1.2 for further details.

(2) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. For the twelve months to 30 June 2020, profit from continuing operations of $87.1 million includes a depreciation charge of $46.4 million relating to right-of-use assets recognised on application of the new standard. Lease payments for the twelve months in respect of these right-of-use assets totalled $65.9 million. Prior to adoption of AASB 16 these payments would have been recognised as an expense in profit from operations. In addition, interest expense of $13.4 million has been recognised within finance expenses with respect to lease liabilities recorded under the new accounting standard.

The above Income Statement should be read in conjunction with the accompanying notes.

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

$ million	Note	2020	2019
Profit for the financial period		**239.9**	161.2
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Cash flow hedge reserve			
Unrealised (losses)/gains on cash flow hedges	2.4.2	**(5.0)**	0.2
Realised gains transferred to profit or loss	2.4.2	**(0.9)**	(4.6)
Realised gains transferred to non-financial assets	2.4.2	**(0.1)**	(0.1)
Income tax relating to these items		**1.8**	1.4
Exchange fluctuation reserve			
Exchange differences on translation of foreign operations		**10.4**	16.7
Net investment hedge of foreign operations		**(35.6)**	1.0
Net investment hedge reclassified to profit or loss on disposal of foreign operation		**12.1**	–
Tax effect		**(3.8)**	–
Other comprehensive (expense)/income for the financial period, net of tax		**(21.1)**	14.6
Total comprehensive income for the financial period attributable to the owners of Orora Limited		**218.8**	175.8
Total comprehensive income for the financial period attributable to the owners of Orora Limited arises from:			
Continuing operations		**(1.2)**	131.4
Discontinued operations	6.2	**220.0**	44.4
		218.8	175.8

The consolidated statement of comprehensive income is presented on a total Group basis.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

$ million	Note	2020	2019[1]
CURRENT ASSETS			
Cash and cash equivalents	2.3	**107.3**	70.3
Trade and other receivables	3.1	**460.5**	674.4
Inventories	3.2	**412.9**	642.0
Derivatives	5.4	**1.0**	4.0
Other current assets	3.4	**36.2**	55.5
Current tax receivable		**37.7**	–
Total current assets		**1,055.6**	1,446.2
NON-CURRENT ASSETS			
Property, plant and equipment	3.5	**671.7**	1,765.5
Right-of-use assets	3.6	**217.3**	–
Deferred tax assets	4.2	**13.7**	–
Goodwill and intangible assets	3.7	**435.8**	614.7
Derivatives	5.4	**0.9**	4.3
Other non-current assets	3.4	**105.0**	87.5
Total non-current assets		**1,444.4**	2,472.0
Total assets		**2,500.0**	3,918.2
CURRENT LIABILITIES			
Trade and other payables	3.3	**663.5**	999.1
Borrowings	2.3	**–**	1.0
Lease liabilities	2.3,3.6	**50.8**	–
Derivatives	5.4	**7.0**	3.0
Current tax liabilities		**–**	10.6
Provisions	3.9	**95.8**	146.9
Total current liabilities		**817.1**	1,160.6
NON-CURRENT LIABILITIES			
Other payables		**–**	12.8
Borrowings	2.3	**399.4**	959.3
Lease liabilities	2.3,3.6	**228.6**	–
Derivatives	5.4	**1.9**	2.6
Deferred tax liabilities	4.2	**–**	82.3
Provisions	3.9	**21.0**	56.1
Total non-current liabilities		**650.9**	1,113.1
Total liabilities		**1,468.0**	2,273.7
NET ASSETS		**1,032.0**	1,644.5
EQUITY			
Contributed equity	2.4.1	**335.2**	488.0
Treasury shares	2.4.1	**(1.6)**	(3.9)
Reserves	2.4.2	**139.2**	164.7
Retained earnings	2.4.3	**559.2**	995.7
TOTAL EQUITY		**1,032.0**	1,644.5

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. Refer to note 7.8 for further details of the impact of application of the new standard.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Attributable to owners of Orora Limited						
$ million	Note	Contributed equity	Cash flow hedge reserve	Share-based payment reserve	Demerger reserve	Exchange fluctuation reserve	Retained earnings	Total equity
Balance at 1 July 2018		479.9	2.9	17.5	132.9	(1.2)	998.5	1,630.5
Impact of change in accounting policy[1]	7.8	–	–	–	–	–	(7.3)	(7.3)
Restated balance at 1 July 2018		479.9	2.9	17.5	132.9	(1.2)	991.2	1,623.2
Net profit for the financial period	2.4.3	–	–	–	–	–	161.2	161.2
Other comprehensive income/(loss):								
Unrealised gains on cash flow hedges	2.4.2	–	0.2	–	–	–	–	0.2
Realised losses transferred to profit or loss	2.4.2	–	(4.6)	–	–	–	–	(4.6)
Realised losses transferred to non-financial assets	2.4.2	–	(0.1)	–	–	–	–	(0.1)
Exchange differences on translation of foreign operations		–	–	–	–	17.7	–	17.7
Deferred tax		–	1.4	–	–	–	–	1.4
Total other comprehensive income/(loss)		–	(3.1)	–	–	17.7	–	14.6
Transactions with owners in their capacity as owners:								
Purchase of treasury shares	2.4.1	(10.5)	–	–	–	–	–	(10.5)
Proceeds received from employees on exercise of options	2.4.1	5.4	–	–	–	–	–	5.4
Shares used to settle Team Member Share Plan issue	2.4.1	1.3	–	–	–	–	–	1.3
Settlement of options and performance rights	2.4.1	8.0	–	(8.0)	–	–	–	–
Share-based payment expense	7.1	–	–	6.0	–	–	–	6.0
Dividends paid	2.2	–	–	–	–	–	(156.7)	(156.7)
Balance at 30 June 2019		**484.1**	**(0.2)**	**15.5**	**132.9**	**16.5**	**995.7**	**1,644.5**
Impact of change in accounting policy[1]	7.8	**–**	**–**	**–**	**–**	**–**	**(69.8)**	**(69.8)**
Restated balance at 1 July 2019		**484.1**	**(0.2)**	**15.5**	**132.9**	**16.5**	**925.9**	**1,574.7**
Net profit for the financial period	2.4.3	**–**	**–**	**–**	**–**	**–**	**239.9**	**239.9**
Other comprehensive income/(loss):								
Unrealised losses on cash flow hedges	2.4.2	**–**	**(5.0)**	**–**	**–**	**–**	**–**	**(5.0)**
Realised gains transferred to profit or loss	2.4.2	**–**	**(0.9)**	**–**	**–**	**–**	**–**	**(0.9)**
Realised gains transferred to non-financial assets	2.4.2	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(13.1)**	**–**	**(13.1)**
Deferred tax		**–**	**1.8**	**–**	**–**	**(3.8)**	**–**	**(2.0)**
Total other comprehensive income/(loss)		**–**	**(4.2)**	**–**	**–**	**(16.9)**	**–**	**(21.1)**
Transactions with owners in their capacity as owners:								
Capital return	2.4.1	**(149.6)**	**–**	**–**	**–**	**–**	**–**	**(149.6)**
Purchase of treasury shares	2.4.1	**(18.6)**	**–**	**–**	**–**	**–**	**–**	**(18.6)**
Proceeds received from employees on exercise of options	2.4.1	**8.0**	**–**	**–**	**–**	**–**	**–**	**8.0**
Shares used to settle Team Member Share Plan Issue	2.4.1	**0.7**	**–**	**–**	**–**	**–**	**–**	**0.7**
Settlement of options and performance rights	2.4.1	**9.0**	**–**	**(9.0)**	**–**	**–**	**–**	**–**
Share-based payment expense	7.1	**–**	**–**	**4.6**	**–**	**–**	**–**	**4.6**
Dividends paid	2.2	**–**	**–**	**–**	**–**	**–**	**(606.6)**	**(606.6)**
Balance at 30 June 2020		**333.6**	**(4.4)**	**11.1**	**132.9**	**(0.4)**	**559.2**	**1,032.0**

The consolidated statement of changes in equity is presented on a total Group basis.

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach from 1 July 2019. Under this method, the comparative information has not been restated. In the prior period the Group has initially applied AASB 15 *Revenue from Contracts with Customers* using the cumulative effect method from 1 July 2018. Refer to note 7.8 for further information.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

$ million	Note	2020	2019
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the financial period		**239.9**	161.2
Depreciation	3.5,3.6	**137.3**	122.9
Amortisation of intangible assets	3.7	**12.1**	10.0
Net impairment losses on property, plant and equipment, intangibles, receivables and inventory		**11.3**	2.2
Restructuring, asset impairment and decommissioning costs (non-cash significant item expense)	1.2	**137.2**	79.2
Net gain on disposal of businesses and controlled entities	1.2	**(164.0)**	–
Net finance costs		**57.8**	39.4
Net (gain)/loss on disposal of non-current assets		**(0.3)**	0.3
Fair value loss on financial instruments at fair value through income statement		**0.2**	0.5
Share-based payment expense		**4.6**	6.0
Other sundry items		**15.7**	6.4
Income tax expense		**18.3**	55.4
Operating cash inflow before changes in working capital and provisions		**470.1**	483.5
– (Increase)/Decrease in prepayments and other operating assets		**(3.0)**	3.8
– Increase/(Decrease) in provisions		**(42.2)**	(33.3)
– (Increase)/Decrease in trade and other receivables		**(71.2)**	14.9
– (Increase)/Decrease in inventories		**(26.2)**	(39.4)
– Increase/(Decrease) in trade and other payables		**(115.3)**	(36.9)
		212.2	392.6
Interest received		**0.6**	0.4
Interest and borrowing costs paid[1]		**(57.8)**	(43.6)
Income tax paid		**(136.1)**	(51.5)
Net cash inflow from operating activities[1]		**18.9**	297.9
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Repayment/(granting) of loans to associated companies and other persons		**0.2**	(0.2)
Payments for acquisition of controlled entities and businesses, net of cash acquired		**(8.0)**	(144.1)
Payments for property, plant and equipment and intangible assets		**(167.5)**	(190.2)
Net proceeds on disposal of controlled entities and businesses	6.2	**1,637.0**	–
Proceeds on disposal of non-current assets		**12.8**	2.7
Net cash flows from/(used) in investing activities		**1,474.5**	(331.8)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Capital return	2.4.1	**(149.6)**	–
Payments for treasury shares	2.4.1	**(18.6)**	(10.5)
Proceeds from exercise of employee share options	2.4.1	**8.0**	5.4
Proceeds from borrowings		**1,951.6**	2,534.4
Repayment of borrowings		**(2,557.8)**	(2,358.4)
Principal lease repayments		**(80.6)**	(0.8)
Dividends paid	2.2	**(606.6)**	(156.7)
Net cash flows (used in)/from financing activities[1]		**(1,453.6)**	13.4
Net increase/(decrease) in cash held		**39.8**	(20.5)
Cash and cash equivalents at the beginning of the financial period		**70.3**	87.6
Effects of exchange rate changes on cash and cash equivalents		**(2.8)**	3.2
Cash and cash equivalents at the end of the financial period[2]	2.3	**107.3**	70.3

The consolidated cash flow statement is presented on a total Group basis. Refer to note 6.2 for further information on the cash flows of the divested Australasian Fibre business.

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. As at 30 June 2020, the net cash inflow from operating activities includes an outflow of $20.6 million in respect of the interest expense relating to lease liabilities recognised under the new standard whilst the net cash flows used in financing activities includes principal lease repayments of $79.7 million. In the comparative period all cash flows relating to leasing activities were recognised in the net cash inflow from operating activities. Refer to note 7.8 for further information.

(2) For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short-term money market investments, net of outstanding bank overdrafts. Refer to note 2.3 for details of the financing arrangements of the Group.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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About this report

Orora Limited (the Company) is a for-profit entity for the purposes of preparing this financial report and is domiciled in Australia. The Company and its subsidiaries (collectively referred to as the Group) are primarily involved in the manufacture and supply of packaging products and services to grocery, fast moving consumer goods and industrial markets.

This financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the AASB, and the *Corporations Act 2001*. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost basis except for financial instruments which have been measured at fair value. Non–derivative financial instruments are measured at fair value through the income statement;
- is presented in Australian dollars with values rounded to the nearest $100,000 unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current period presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective; and
- has applied Group accounting policies consistently to all periods presented, with the exception of AASB 16 *Leases*, which is only applicable from 1 July 2019 (refer note 7.8).

This general purpose financial report for the Group for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 20 August 2020. The Directors have the power to amend and reissue the financial report.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities. Details of the controlled entities (subsidiaries) of the Company are contained in note 6.1.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group obtains control until the date that control ceases. The subsidiary financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies and all balances and transactions between entities included within the Group are eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting when control is obtained by the Group.

Foreign currency

Items included in the financial statements of each of the entities included within the Group are measured using the currency of the economic environment in which the entity primarily generates and expends cash (the 'functional currency'). These financial statements are presented in Australian dollars, which is the functional and reporting currency of the Company, Orora Limited.

Transactions in foreign currencies are initially recorded in the functional currency of the entity using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses arising from the translation of the monetary assets and liabilities, or from the settlement of foreign currency transactions, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges. The amounts deferred in equity in respect of cash flow hedges are recognised in the income statement when the hedged item affects profit or loss and for net investment hedges when the investment is disposed of.

As at the reporting date, the assets and liabilities of entities within the Group that have a functional currency different from the presentation currency, are translated into Australian dollars at the rate of exchange at the balance sheet date and the income statements are translated at the average exchange rate for the year. The exchange differences arising on the balance sheet translation are taken directly to a separate component of equity in the Exchange Fluctuation Reserve.

Judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

Page		
92	Note 3.8	Impairment of non-financial assets
94	Note 3.9	Provisions
97	Note 4	Income tax
110	Note 6.2	Business divestment
118	Note 7.3	Commitments and contingent liabilities

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used, and are relevant to an understanding of the financial statements, are provided throughout the notes to the financial statements.

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Current Period Significant Events

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has developed rapidly in 2020, with restrictions imposed by the Australian, New Zealand and United States governments to contain the virus causing disruption to businesses and impacting economic activity. The Group's response to the pandemic continues to be guided by local government and health advice across each jurisdiction in which Orora operates.

The Group has implemented a number of measures to mitigate the effects of COVID-19 and the business continues to monitor Orora's response on the key focus areas including: safety, health and wellbeing of our people; ensuring continuity of quality and supply with customers and preserving ongoing supply chains, and active financial management.

In May 2020, the Group announced that the COVID-19 pandemic was adversely impacting the earnings of the business by approximately $25.0 million, of which approximately 90.0% of the disruption occurred in the Group's operations in North America which supplies and services retail, entertainment and convenience markets.

While the Group has worked hard to mitigate the impact of COVID-19, and the majority of Orora's businesses have been resilient during the pandemic, many of the end market segments serviced by the Orora Visual business were significantly impacted with widespread closure of retailers and many customers deferring promotional activities. The impact of COVID-19 upon the earnings of Orora Visual, and the uncertainty that remains over the timing of market recovery, has contributed to the lower estimation of future cash flows attributable to this business. As a result the Group has recognised an asset impairment charge of $106.2 million relating to the Orora Visual business, refer note 1.2 and 3.8.

The ongoing impact of COVID-19 has increased the uncertainty around accounting estimates applied in the preparation of these financial statements. The Group has developed various accounting estimates based on current economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that are believed to be reasonable in the current economic environment. There is a considerable degree of judgement involved around the impact of COVID-19 and uncertainty around the timing of economic recovery.

Accordingly, actual economic conditions may be different from those forecast and the effect of those differences may significantly impact accounting estimates included in these financial statements, including the recoverability of the Groups' assets.

Dividend

During the financial year the Group paid a 30% franked FY19 final dividend of $78.2 million and a 30% franked FY20 interim dividend of $78.4 million, both being 6.5 cents per ordinary share.

Upon completion of the sale of the Australasian Fibre business the Directors returned $450.0 million to shareholders via way of a special dividend. This dividend, paid on 29 June 2020, was 50% franked and represented a return of 37.3 cents per share.

Since 30 June 2020 the Directors have determined a final dividend for FY20 of $53.1 million, unfranked, of 5.5 cents per ordinary share. Refer note 2.2 for further details.

Sale of Australasian Fibre business

On 30 April 2020, the Group completed the sale of its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million.

As a result of the sale, the Australasian Fibre business is classified as a discontinued operation in the financial statements. The comparative period has been restated to reflect the current period presentation.

Upon completion of the sale the Directors considered the capital structure and related financing requirements of the Group. A portion of the proceeds received from the sale were used to repay drawn borrowings under the Group's debt facilities. In determining the timing and quantity of funds to return to shareholders, and the method to be used, the Directors considered a variety of factors, including: COVID-19 pandemic related uncertainty; tightening liquidity in debt markets and the terms of the Group's debt facilities; retaining the Group's strong balance sheet; and preserving flexibility to pursue potential growth opportunities. The Directors determined to return approximately $600.0 million to shareholders through payment of a special dividend and a return of capital.

Special dividend

On 29 June 2020, $450.0 million was returned to shareholders via the payment of a special dividend franked at 50% and represented a return of 37.3 cents per share. The dividend reinvestment plan was suspended and did not apply to the special dividend.

Capital return and share consolidation

On 16 June 2020, the shareholders approved a capital return of 12.4 cents per share payable to each individual holding shares in Orora as at the record date of 22 June 2020. The payment of the capital return of $150.0 million occurred on 29 June 2020.

At the same time of approving the capital return, the shareholders also approved the share consolidation. Under the share consolidation every ordinary share was converted into 0.80 ordinary shares (5 shares became 4).

Net financial impact of divestment

The net gain on disposal, before tax, of $164.0 million ($171.7 million after tax) has been recognised and is presented in 'profit from discontinued operations, net of tax' in the income statement. Refer note 6.2 for further details of the divestment.

Business restructuring and impairment

Restructuring and asset impairment

The Group has recognised a significant item expense of $31.0 million (after tax $22.6 million) relating to restructuring and impairment charges in North America. This expense includes costs associated with the closure of the Orora Visual Los Angeles site as part of a rationalisation of the Californian footprint, refer note 1.2. The significant item has been presented in 'general and administration expenses' in the income statement.

Recoverable amount impairment

The Group has recognised an impairment to the carrying value of the Orora Visual cash generating unit (CGU) of $106.2 million ($77.5 million after tax). The decrease in the recoverable amount of the CGU is a result of resetting the business to adjust to tough market condition, which were compounded by the impact of COVID-19 upon many end market segments serviced by Orora Visual and the uncertainty that remains in terms of recovery of the market, refer note 1.2 and 3.8. The significant item has been presented in 'general and administration expenses' in the income statement.

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Refinancing

During the year, the Group entered into several new bilateral facilities, most of which matured, or were cancelled, at or shortly after the completion of the sale of the Australasian Fibre business. The following three facilities that were entered into during the year have been retained at 30 June 2020:

- a $35.0 million bilateral facility due to mature in January 2022 (reduced from $50.0 million);
- a $35.0 million bilateral facility due to mature in April 2021 (reduced from $50.0 million); and
- a $25.0 million bilateral facility due to mature in March 2021 (reduced from $35.0 million).

There were no material changes to banking syndicate counterparties or commercial terms across these facilities.

On completion of the sale of the Australasian Fibre business, Orora partly repaid some of its US Private Placement notes, reducing the total outstanding indebtedness on the notes maturing in July 2025 from USD150.0 million to USD143.0 million.

After the completion of the sale of the Australasian Fibre business, Orora also cancelled or reduced several of its facilities, including:

- cancelling a $50.0 million bilateral facility due to mature in September 2020;
- reducing the USD revolving facility due to mature in April 2024 from USD300.0 million to USD150.0 million; and
- reducing the revolving multicurrency facility due to mature in April 2022 from $450.0 million to $350.0 million.

Subsequent Events

Share Buy-Back

On 20 August 2020, the Group announced an on-market buy-back of up to 10.0% of issued share capital. This represents approximately 96.5 million shares. The buy-back will commence in September 2020. The Dividend Reinvestment Plan will be suspended while the on-market buy-back is undertaken.

The notes to the financial statements

The following notes include information which is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant due to its size or nature or the information:

- is important for understanding the Group's current period results;
- provides an explanation of significant changes in the Group's business – for example, business acquisitions; or
- it relates to an aspect of the Group's operations that are important to its future performance.

The notes are organised into the following sections:

- *Results for the year* – provides details on the results and performance of the Group for the year;
- *Capital structure and financing* – outlines how the Group manages its capital structure and related financing activities;
- *Assets and liabilities* – provides details of the assets used to generate the Group's trading performance and the liabilities incurred as a result;
- *Income tax* – provides information on the Group's tax position and the current and deferred tax charges or credits in the year;
- *Financial risk management* – provides information on how the Group manages financial risk exposures associated with holding financial instruments;
- *Group structure* – explains the characteristics of and changes within the group structure during the year;
- *Other notes to the financial statements* – provides additional financial information required by accounting standards and the *Corporates Act 2001*, including details of the Group's employee reward and recognition programs and unrecognised items.

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Section 1: Results for the year

IN THIS SECTION

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, significant items and earnings per share.

This section also analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs. Earnings before significant items, interest and related income tax expense (EBIT) is a key profit indicator for the Group. This measure excludes discontinued operations and the effects of individual significant non-recurring gains/losses that may have an impact on the quality of earnings, and reflects the way the business is managed and how the Directors assess the performance of the Group.

1.1 Segment results

The Group's operating segments are organised and managed according to their geographical location. Each segment represents a strategic business that offers different products and operates in different industries and markets. The Corporate Executive Team (the chief operating decision-makers) monitor the operating results of the businesses separately for the purpose of making decisions about resource allocation and performance assessment.

On 30 April 2020, the Group completed the sale of its Australasian Fibre business. Accordingly, the financial performance and position of these operations have been presented as discontinued operations within this financial report.

The following segment information has been presented for continuing operations only. Refer to note 6.2 for the financial results and position of the divested Australasian Fibre business.

The following summary describes the operations of each reportable segment.

Orora Australasia

This segment focuses on the manufacture of beverage packaging products within Australia and New Zealand. The products manufactured by this segment include glass bottles, beverage cans and wines closures.

Orora North America

This segment, predominately located in North America, purchases, warehouses, sells and delivers a wide range of packaging and other related materials. The business also includes integrated corrugated sheet and box manufacturing and equipment sales capabilities and point of purchase retail display solutions and other visual communication services.

The results of the reportable segments for the year ended 30 June 2020 and 30 June 2019 are set out below:

$ million	Australasia 2020	Australasia 2019[1]	North America 2020	North America 2019[1],[2]	Total Reported 2020	Total Reported 2019[1]
Reportable segment revenue						
Revenue from external customers	**785.9**	778.7	**2,780.3**	2,611.5	**3,566.2**	3,390.2
Total reportable segment revenue from continuing operations[3]	**785.9**	778.7	**2,780.3**	2,611.5	**3,566.2**	3,390.2
Reportable segment earnings						
Earnings before significant items, interest, tax, depreciation and amortisation	**192.3**	201.0	**157.5**	135.9	**349.8**	336.9
Depreciation and amortisation	**(45.1)**	(42.0)	**(80.4)**	(33.1)	**(125.5)**	(75.1)
Earnings before significant items, interest and tax	**147.2**	159.0	**77.1**	102.8	**224.3**	261.8
Allocated finance expense – lease liabilities interest[1]	**(0.9)**	–	**(12.5)**	–	**(13.4)**	–
Earnings before significant items, unallocated interest and tax	**146.3**	159.0	**64.6**	102.8	**210.9**	261.8
Capital spend on the acquisition of property, plant and equipment and intangibles	**94.6**	55.4	**22.8**	34.9	**117.4**	90.3
Receivables	**100.7**	95.4	**343.4**	417.3	**444.1**	512.7
Inventory	**193.4**	184.8	**219.5**	211.6	**412.9**	396.4
Payables	**(237.8)**	(241.7)	**(393.4)**	(484.0)	**(631.2)**	(725.7)
Working capital	**56.3**	38.5	**169.5**	144.9	**225.8**	183.4
Inter-segment working capital	**–**	0.3	**–**	(0.3)	**–**	–
Total reportable segment working capital	**56.3**	38.8	**169.5**	144.6	**225.8**	183.4
Average funds employed[4]	**543.8**	519.8	**858.7**	819.4	**1,402.5**	1,339.2
Operating free cash flow[5]	**99.4**	134.4	**28.3**	83.1	**127.7**	217.5

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. The depreciation and amortisation expense for the twelve months to 30 June 2020, for continuing operations, includes a depreciation charge of $46.4 million relating to right-of-use assets recognised. Lease payments for the twelve months to 30 June 2020, in respect of these right-of-use assets, totalled $65.9 million. Prior to adoption of AASB 16 these payments would have been recognised as an expense in 'earnings before significant items, interest, tax, depreciation and amortisation'. Refer note 7.8 for further details.

(2) For the period to 30 June 2019 the North America segment includes the results of Pollock Investments acquired in November 2018 and Bronco Packaging acquired in August 2018 (refer note 6.3).

(3) Across all segments, in accordance with AASB 15 *Revenue from contracts with Customers*, the timing of revenue recognition materially occurs at a point in time.

(4) Average funds employed excludes intersegment balances and represents net assets less net debt and assets under construction, at the beginning and end of the reporting period.

(5) Operating free cash flow represents the cash flow generated from the Group's operating and investing activities, including lease payments but before interest, tax and dividends. In the current period, the operating free cash flow of the Australasia segment, includes an outflow of $20.6 million representing expenditure on the decommissioning of the Petrie site, refer note 1.2.

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Section 1: Results for the year (continued)

1.1 Segment results (continued)

Accounting policies

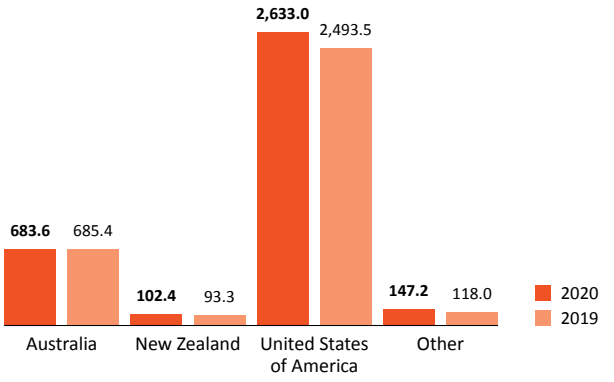
Segment performance is evaluated based on earnings before significant items, interest and related income tax expense (EBIT). This measure excludes the effects of significant items which are typically gains or losses arising from events that are not considered part of the core operations of the business whilst including items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Interest income and expenditure and other finance costs, other than interest on lease liabilities, are not allocated to the segments, as this type of activity is managed at the Group level. Transfer prices between segments are priced on an 'arms-length' basis, in a manner similar to transactions with third parties, and are eliminated on consolidation.

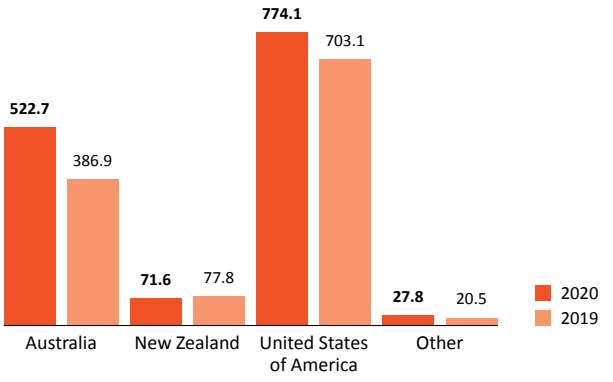
Geographical segments

In presenting information on the basis of geographical location both segment revenue and non-current assets are based on the location of the Orora business. This information has been presented for continuing operations only.

Revenue
$m



Non-current assets[1]
$m



(1) Non-current assets exclude deferred tax assets and non-current financial instruments. Non-current assets in the current period include right-of-use assets on application of AASB 16, refer note 7.8.

Revenue by product

$ million	2020	2019
Fibre and paper-based packaging	**672.0**	719.4
Beverage packaging	**785.9**	778.7
Traded packaging products	**2,108.3**	1,892.1
Total sales revenue	**3,566.2**	3,390.2

No single customer, within an operating segment, generates revenue greater than 10% of the Group's total revenues.

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Reconciliation of segmental measures

The following segmental measurements reconcile to the financial statements as follows:

Profit before related income tax expense

$ million	2020	2019
Reported segment earnings	**210.9**	261.8
Significant items before related income tax (refer note 1.2)	**(137.2)**	(69.3)
Unallocated net finance costs	**(37.1)**	(39.4)
Profit before related income tax expense	**36.6**	153.1

Capital spend on the acquisition of property, plant and equipment and intangibles

$ million	2020	2019
Reported segment capital spend	**117.4**	90.3
Capital spend of discontinued operations	**50.2**	99.9
Total group capital spend	**167.6**	190.2
Movement in capital creditors	**–**	(4.1)
Movement in prepaid capital items	**(0.7)**	(2.3)
Capitalised asset restoration costs	**–**	(0.7)
Other non-cash adjustments	**0.9**	5.0
Acquisition of property, plant and equipment and intangibles for total operations[1]	**167.8**	188.1

(1) Excludes balances acquired through business combinations. Refer notes 3.5 and 3.7.

Operating free cash flow

$ million	2020	2019
Reported segment operating free cash flow	**127.7**	217.5
Operating free cash flow of discontinued operations	**(114.0)**	25.9
Total group operating free cash flow	**13.7**	243.4
Add back capital expenditure activities included in segment operating free cash flow	**117.9**	149.2
Add back principal lease repayments included in segment operating free cash flow	**80.6**	–
Less operating activities excluded from operating free cash flow:		
Interest received	**0.6**	0.4
Interest and borrowing costs paid	**(57.8)**	(43.6)
Income tax paid	**(136.1)**	(51.5)
Net cash flows from operating activities	**18.9**	297.9

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Section 1: Results for the year (continued)

1.1 Segment results (continued)

Working capital

$ million	2020	2019
Reported segment working capital	**225.8**	183.4
Add working capital of discontinued operations	**–**	184.9
Total group working capital	**225.8**	368.3
Add/(Less) amounts included in working capital for management reporting purposes:		
Derivatives	**6.0**	(1.1)
Add/(Less) amounts excluded from working capital for management reporting purposes:		
Net capital receivables and payables	**11.5**	3.5
Loan receivables and other assets	**–**	0.3
Other payables	**(6.3)**	(11.7)
	237.0	359.3
Reconciles to the financial statements as follows:		
Trade receivables (note 3.1)	**460.5**	674.4
Inventories (note 3.2)	**412.9**	642.0
Trade and other payables (note 3.3)	**(663.5)**	(999.1)
Current prepayments (note 3.4)	**27.1**	42.0
	237.0	359.3

1.2 Significant items

Significant items are typically gains or losses arising from events that are not considered part of the core operations of the business.

	2020			2019		
$ million	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Continuing operations						
Restructuring and asset impairment	**(31.0)**	**8.4**	**(22.6)**	(19.3)	5.4	(13.9)
Recoverable amount impairment	**(106.2)**	**28.7**	**(77.5)**	–	–	–
Decommissioning costs	**–**	**–**	**–**	(50.0)	15.0	(35.0)
	(137.2)	**37.1**	**(100.1)**	(69.3)	20.4	(48.9)
Discontinuing operations						
Net profit on sale of Australasian Fibre business	**164.0**	**7.7**	**171.7**	–	–	–
Restructuring activities	**–**	**–**	**–**	(9.9)	3.0	(6.9)
	164.0	**7.7**	**171.7**	(9.9)	3.0	(6.9)
Total significant item income/(expense)	**26.8**	**44.8**	**71.6**	(79.2)	23.4	(55.8)

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2020

Restructuring and asset impairments
The majority of the restructuring and asset impairment expense ($20.7 million before tax) is a result of the decision to close the Orora Visual Los Angeles site as part of a rationalisation of the California footprint in response to the businesses performance being below expectations. This includes impairments of property, plant and equipment of $9.4 million and provisions for redundancy, restructuring and relocation costs of $11.3 million. The remainder of the restructuring and asset impairment charge relates to the write off of investments no longer considered recoverable as a result of the impacts of COVID-19 and restructuring charges incurred to improve business performance. The significant item has been presented in 'general and administration expenses' in the income statement.

Recoverable amount impairments
The Group has recognised an impairment to the carrying value of the Orora Visual cash generating unit (CGU) of $106.2 million ($77.5 million after tax). The decrease in the estimated recoverable amount compared to prior years reflects the difficulty of management turnaround initiatives, implemented to address the below expectations business performance, to gain traction in the current year which was materially compounded by the impact of COVID-19. Whilst the majority of Orora's businesses have been resilient during COVID-19, many of the end market segments serviced by Orora Visual were more significantly impacted and uncertainty remains over the timing of recovery of these markets. These factors have contributed to a lower estimation of future cash flows attributable to this business resulting in the impairment charge. The impairment was recognised in respect of Orora Visual goodwill ($89.4 million), other intangible assets ($7.3 million) and property, plant and equipment ($9.5 million). The significant item has been presented in 'general and administration expenses' in the income statement, refer to note 3.8.

Net profit on sale of Australasian Fibre business
On 30 April 2020, the Group completed the sale of its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million received. The net gain on disposal, before tax, of $164.0 million ($171.7 million after tax) is presented net of transaction costs, exchange fluctuation reserve reclassified on disposal, write-off of Group assets relating to the Australasian Fibre business, allowances for post close completion accounts adjustments and provisions for indemnities. The net gain on disposal has been recognised and is presented in the 'profit from discontinued operations, net of tax' in the income statement. Refer note 6.2 for further details of the divestment.

2019

Restructuring and asset impairment
In May 2019, the Group announced that in response to the slow start to earnings experienced early in calendar 2019, cost structures in both Australasia and North America were reviewed. This review identified that certain parts of the business required restructuring to ensure operations are optimised and the cost base aligns with the expected market outlook. As a result a significant item expense of $29.2 million ($20.8 million after tax) was recognised in respect of restructuring and impairment charges. This included the recognition of an impairment charge of $5.2 million ($3.7 million after tax). This significant item expense is presented in 'general and administration' expense.

Decommissioning costs
In 2019 the Group recognised a significant item expense of $50.0 million (after tax $35.0 million) relating to additional costs associated with the decommissioning of the former Petrie Mill site. This significant item expense is presented in 'general and administration' expense. Refer note 3.9.

1.3 Earnings per share (EPS)

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to ordinary shareholders of the Company of $239.9 million (2019: $161.2 million) divided by the weighted average number of shares on issue during the reporting period, excluding ordinary shares purchased by the Company and held as Treasury Shares, being 964.1 million (2019: 963.1 million)[(1)].

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the effect of the potential conversion of share options and rights granted to employees. To calculate the impact it is assumed that all share options and rights are exercised and new shares are issued.

Basic and Diluted EPS, before significant items, is presented below in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. It is also a measure that is considered by the Board in determination of dividend payments.

(1) The weighted average number of shares has been restated to reflect the change in the capital structure of the Company as a result the share consolidation, as if the change had occurred at the beginning of the comparative period.

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Section 1: Results for the year (continued)

1.3 Earnings per share (EPS) (continued)

Calculation of EPS

Calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

EPS attributable to the ordinary equity holders of Orora Limited

million	2020	2019
Continuing operations		
Profit for the financial period from continuing operations before significant items	**$127.7**	$165.4
Significant items (refer note 1.2)	**($100.1)**	($48.9)
	$27.6	$116.5
Discontinued operations		
Profit for the financial period from discontinued operations before significant items	**$40.6**	$51.6
Significant items (refer note 1.2)	**$171.7**	($6.9)
	$212.3	$44.7
Profit for the financial period	**$239.9**	$161.2
Weighted average number of ordinary shares for basic earnings per share[1]	**964.1**	963.1
Dilution due to share options and rights	**6.9**	10.9
Weighted average number of ordinary shares for diluted earnings per share	**971.0**	974.0
Earnings per share		
Basic earnings per share	**24.9c**	16.7c
Diluted earnings per share	**24.7c**	16.6c
Basic earnings per share, before significant items	**17.4c**	22.5c
Diluted earnings per share, before significant items	**17.3c**	22.3c
Earnings per share for continuing operations		
Basic earnings per share	**2.9c**	12.1c
Diluted earnings per share	**2.8c**	12.0c
Basic earnings per share, before significant items	**13.2c**	17.2c
Diluted earnings per share, before significant items	**13.1c**	17.0c

(1) The weighted average number of shares has been restated to reflect the change in the capital structure of the Company as a result the share consolidation (refer note 2.4.1), as if the change had occurred at the beginning of the comparative period.

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1.4 Income

The information presented in this note is for continuing operations only.

$ million	2020	2019
Revenue from sale of goods	**3,566.2**	3,390.2
Sub-lease income	**1.3**	0.7
Other	**3.5**	2.7
Total other income	**4.8**	3.4
External interest income	**0.6**	0.4
Total finance income	**0.6**	0.4

Accounting policies

The Group generates revenue primarily from the sale of packaging materials and products providing customers with an extensive range of tailored packaging and visual communication solutions.

The Group provides standard packaging materials to its customers as well as customer specific (made-to-order) packaging products. The Group also sources and provides packaging equipment/solutions to customers who enter into long-term agreements under bundled contract arrangement.

Revenue is recognised when control of the goods or services are transferred to the customer and the Group's right to payment arises. Revenue is measured on the consideration to which the Group expects to be entitled to in a contract with a customer.

For certain customers the Group provides retrospective rebates once the quantity of product purchased during the period exceeds a threshold specified in the contract. For contracts that include rebates the amount of revenue recognised is adjusted to the anticipated rebates payable, which is based on the historical purchase history of the customer.

Standard packaging products
Customers obtain control of standard packaging products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time with payment terms varying depending on the customer, ranging from 30 to 90 days.

Some contracts allow for volume discounts/rebates.

Made-to-order packaging products
Made-to-order packaging products are usually long-term contracts which contain several elements. In the vast majority of cases these elements represent only one performance obligation to the customer.

In some cases the Group produces these products in advance of delivery. Typically control over these goods remain with the Group until shipment or when the customer takes physical possession of the goods. The right to payment arises only at the point in time when control over the good is transferred to the customer.

The Group has determined that for made-to-order products the customer obtains control of the products when the goods are delivered to and have been accepted at their premises. This represents the point in time when invoices are generated as the right to payment arises. Payment terms varying depending on the customer, ranging from 30 to 90 days.

Some contracts allow for volume discounts/rebates.

Bundled packaging solutions
The Group sources and provides packaging equipment/solutions to customers who enter into long term product supply arrangements.

The customer obtains control of the equipment and product when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time with payment terms varying depending on the customer, ranging from 30 days to 60 days.

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Section 1: Results for the year (continued)

1.5 Operating costs

The information presented in this note is for continuing operations only.

Employee benefit expense

$ million	2020	2019
Wages and salaries	**540.2**	507.8
Workers' compensation and other on-costs	**31.3**	27.7
Superannuation costs – accumulation funds	**7.7**	7.5
Other employment benefits expense	**–**	0.2
Share-based payments expense		
– Options	**0.8**	1.5
– Performance rights and other plans	**3.8**	4.5
Total employee benefits expense	**583.8**	549.2

The Group's accounting policy for liabilities associated with employee benefits is contained in note 3.9, whilst the policy for share-based payments is set out in note 7.1.

Depreciation and amortisation

$ million	2020	2019
Depreciation	**66.9**	65.8
Amortisation of right-of-use assets	**46.4**	–
Amortisation of finance leased assets	**0.5**	0.5
Amortisation of intangibles	**11.7**	8.8
Total depreciation and amortisation	**125.5**	75.1

Refer to notes 3.5, 3.6 and 3.7 for the Group's accounting policy and details on depreciation and amortisation.

Finance expenses

$ million	2020	2019
Interest paid/payable:		
– Finance charges on right-of-use assets	**13.4**	–
– Unwinding of discount	**0.3**	0.1
– External interest expense	**35.7**	40.8
Amount capitalised	**(1.3)**	(1.7)
Total interest paid/payable	**48.1**	39.2
Borrowing costs	**3.0**	0.6
Total finance expenses	**51.1**	39.8

Refer to note 3.6 for the Group's accounting policy and details on right-of-use assets and note 2.3 regarding the Group's external borrowings.

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Section 2: Capital structure and financing

IN THIS SECTION

This section outlines how the Group manages its capital structure and related financing, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of the Group, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group, as seen through the refinancing activities undertaken during the year. Any potential courses of action in respect of the Group's structure take into account the Group's liquidity needs, flexibility to invest in the business and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results, and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

2.1 Capital management

Capital is defined as the combination of shareholders' equity, reserves and net debt. The key objective of the Group when managing its capital is to safeguard its ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital and funding structure.

The aim of the Group's capital management framework is to maintain an investment grade credit profile, and the requisite financial metrics, to secure access to alternate funding sources with a spread of maturity dates and sufficient undrawn committed facility capacity and optimise, over the long term and to the extent practicable, the weighted average cost of capital to reduce the cost of capital to the Group while maintaining financial flexibility.

The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including on-balance sheet gearing and leverage ratios, and to ensure that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost. At 30 June 2020, the Group's on-balance sheet gearing and leverage ratios, excluding lease liabilities, were 22.1% (2019: 35.1%) and 0.9 times (2019: 1.9 times), respectively.

Australasian Fibre divestment
On 30 April 2020, the Group completed the sale of its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million (refer note 6.2).

Upon completion of the sale the Directors considered the capital structure and related financing requirements of the Group. In determining the timing and quantity of funds to return to shareholders, and the method to be used, the Directors considered a variety of factors, including: COVID-19 pandemic related uncertainty; tightening liquidity in debt markets and the terms of the Group's debt facilities; retaining the Group's strong balance sheet; and preserving flexibility to pursue potential growth opportunities. In light of these factors the Directors determined to return $600.0 million to shareholders. This return included a special dividend of $450.0 million (37.3 cents per share) and a capital return of $150.0 million (12.4 cents per share).

Further information regarding the special dividend and capital return can be found within this Annual Report and also in the Notice of General Meeting lodged with the Australian Stock Exchange on 8 May 2020.

Subsequent Event – On-market Share Buy-Back
On 20 August 2020, the Group announced an on-market buy-back of up to 10.0% of issued share capital. This represents approximately 96.5 million shares. The buy-back will commence in September 2020. The Dividend Reinvestment Plan will be suspended while the on-market buy-back is undertaken.

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Section 2: Capital structure and financing (continued)

2.1 Capital management (continued)

$ million	Note	2020	2019
Financial borrowings			
Total borrowings	2.3	**399.4**	960.3
Less: Cash and cash equivalents	2.3	**(107.3)**	(70.3)
Net debt		**292.1**	890.0
Lease liabilities	2.3	**279.4**	–
Net debt including lease liabilities		**571.5**	890.0
Equity and reserves			
Contributed equity	2.4.1	**335.2**	488.0
Treasury shares	2.4.1	**(1.6)**	(3.9)
Reserves	2.4.2	**139.2**	164.7
Retained earnings	2.4.3	**559.2**	995.7
		1,032.0	1,644.5
Net Capital		**1,603.5**	2,534.5

In order to optimise the capital structure, the Group may:

- adjust the amount of ordinary dividends paid to shareholders;
- maintain a dividend investment plan;
- raise or return capital to shareholders; and
- repay debt or raise debt for working capital and capital expenditure requirements, or to facilitate acquisitions in line with the strategic objectives and operating plans of the Group.

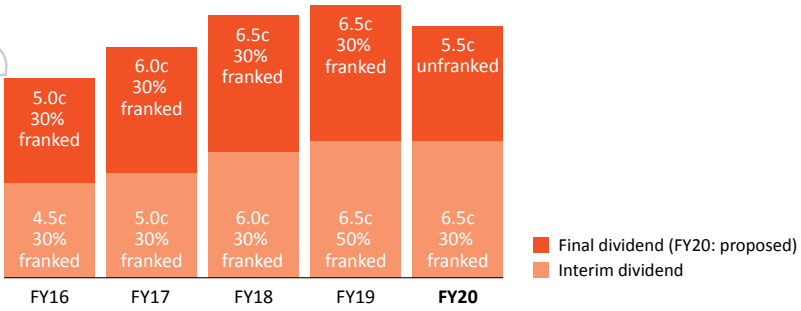
2.2 Dividends

	Cents per share	Total $ million
Declared and paid during the period		
For the year ended 30 June 2020		
Final dividend for 2019 (30% franked)	**6.5**	**78.2**
Interim dividend for 2020 (30% franked)	**6.5**	**78.4**
Special dividend for 2020 (50% franked)	**37.3**	**450.0**
		606.6
For the year ended 30 June 2019		
Final dividend for 2018 (30% franked)	6.5	78.3
Interim dividend for 2019 (50% franked)	6.5	78.4
		156.7
Proposed and unrecognised at period end(1)		
For the year ended 30 June 2020		
Final dividend for 2020 (unfranked)	**5.5**	**53.1**
For the year ended 30 June 2019		
Final dividend for 2019 (30% franked)	6.5	78.4

(1) Estimated final dividend payable, subject to variations in the number of shares up to record date.

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Shareholder distributions – cents per share



Special Dividend

On 30 April 2020, the Group completed the sale of its Australasian Fibre business, refer note 6.2, for an enterprise value of $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million. The Directors determined to return $600.0 million to shareholders upon the completion of this transaction which included the payment of a special dividend of $450.0 million.

The dividend was paid on 29 June 2020, represents a return of 37.3 cents per share and was partially franked at 50%. The dividend reinvestment plan was suspended and did not apply to the special dividend.

Dividend reinvestment plan

The Group operates a dividend reinvestment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Orora Limited ordinary shares with Australian or New Zealand addresses registered with the share registry are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Orora Limited ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than ten consecutive trading days as determined by the Directors.

Franking Account

Franking credits are available to shareholders of the Company at the 30% (2019: 30%) corporate tax rate. The interim dividend for 2020 was 30% franked (2019 Interim: 50.0% franked), the special dividend paid on 29 June 2020 was 50% franked and the proposed final dividend for 2020 is unfranked (2019 final: 30% franked). The balance of franking credits available as at 30 June 2020 is nil (2019 $4.5 million).

Conduit Foreign Income Account

For Australian tax purposes, non-resident shareholder dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from the Company's Conduit Foreign Income (CFI) Account. For the 2020 dividends, 70% of the interim dividend, and 50% the special dividend was sourced from the Company's CFI account, with 100% of the 2020 final dividend (2019: 70%) to be sourced from the CFI account. As a result all of the 2020 dividends paid to a non-resident will not be subject to Australian withholding tax. The balance of the conduit foreign income account as at 30 June 2020 is $69.4 million (2019: $141.5 million), and it is estimated that this will reduce by $53.1 million (2019: $55.0 million) after payment of the estimated final dividend on 12 October 2020.

2.3 Net debt

In addition to the US Private Placement of notes of USD243.0 million, of which USD100.0 million matures in July 2023 and USD143.0 million in July 2025, the Group had access to the following committed facilities as at 30 June 2020:

- a $350.0 million revolving multicurrency facility through a syndicate of domestic and international financial institutions, maturing in April 2022;
- a USD150.0 million five-year USD revolving facility, through a syndicate of domestic and international financial institutions, maturing in April 2024; and
- three bilateral agreements, one for $25.0 million and two for $35.0 million each, all with separate domestic institutions, with one maturing in March 2021, one maturing in April 2021 and the other in January 2022.

These facilities are unsecured. During both the current and comparative reporting period Orora Limited has complied with the financial covenants of its borrowing facilities.

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Section 2: Capital structure and financing (continued)

2.3 Net debt (continued)

$ million	2020	2019
Cash on hand and at bank	**84.5**	70.2
Deposits at call	**22.8**	0.1
Total cash and cash equivalents	**107.3**	70.3
Borrowings		
Finance lease liabilities due within one year	**–**	1.0
Current borrowings	**–**	1.0
Finance lease liabilities due after one year	**0.2**	0.3
Bank loans due after one year	**48.0**	604.1
US Private Placement due after one year	**351.2**	354.9
Non-current borrowings	**399.4**	959.3
Total borrowings	**399.4**	960.3
Lease liabilities[1]		
Due within one year	**50.8**	–
Due after one year	**228.6**	–
Total lease liability	**279.4**	–
Total debt	**678.8**	960.3
Net debt	**571.5**	890.0

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Refer to note 7.8 for further details of the impact of application of the new standard.

Accounting policies

Cash and cash equivalents
Cash and cash equivalents include cash at bank and on hand and short-term money market investments with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying value of cash and cash equivalents is considered to approximate fair value due to the assets liquid nature.

Bank loans
All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortised cost using the effective interest rate method.

Interest-bearing liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

Interest-bearing liabilities are classified as current liabilities, except for those liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the reporting period which are classified as non-current liabilities.

The US Private Placement notes have a carrying value of $352.1 million (excluding borrowing costs) while the fair value of the notes is $386.0 million. For all other borrowings, the fair values are not materially different to their carrying amount since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

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2.3.1 Net debt reconciliation

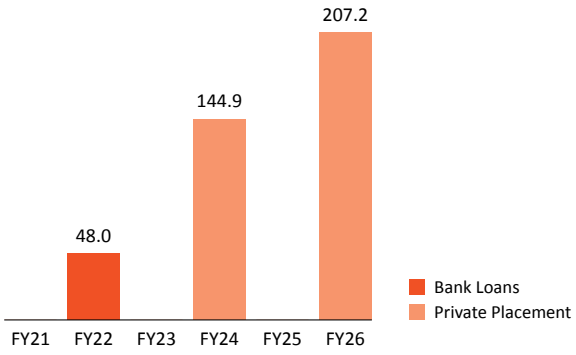
The following table illustrates the cash and non-cash movements of net debt:

	Assets	Liabilities from financing activities			
$ million	Cash and cash equivalents	Lease liabilities	Bank loans	US Private Placement	Total
Net debt at 1 July 2018	87.6	(1.7)	(415.3)	(338.1)	(667.5)
Business acquisitions	7.9	(0.3)	–	–	7.6
Cash flows	(28.4)	0.8	(176.0)	–	(203.6)
Other non-cash movements	–	–	2.0	1.0	3.0
Effect of movements in foreign exchange rates	3.2	(0.1)	(14.8)	(17.8)	(29.5)
Net debt at 30 June 2019	**70.3**	**(1.3)**	**(604.1)**	**(354.9)**	**(890.0)**
Impact of change in accounting policy (refer note 7.8)	**–**	**(595.3)**	**–**	**–**	**(595.3)**
Restated net debt at 1 July 2019	**70.3**	**(596.6)**	**(604.1)**	**(354.9)**	**(1,485.3)**
Cash flows	**39.8**	**101.3**	**595.8**	**10.4**	**747.3**
Disposal of businesses and controlled entities	**–**	**245.6**	**–**	**–**	**245.6**
Other non-cash movements	**–**	**(29.0)**	**(2.9)**	**(0.3)**	**(32.2)**
Effect of movements in foreign exchange rates	**(2.8)**	**(0.9)**	**(36.8)**	**(6.4)**	**(46.9)**
Net debt at 30 June 2020	**107.3**	**(279.6)**	**(48.0)**	**(351.2)**	**(571.5)**

2.3.2 Borrowings

The maturity profile of the Group's external borrowings drawn down, excluding the impact of capitalised borrowing costs, as at 30 June 2020 is illustrated in the following chart:

Maturity profile of drawn debt by facility – A$ million



Loans due after one year

At 30 June 2020, bank loans due after one year include:

- $20.0 million and NZD30.0 million drawn under a $350.0 million committed global syndicated multicurrency facility maturing in April 2022 (2019: $295.0 million and USD19.0 million drawn under a $450.0 million committed global syndicated multicurrency facility maturing in April 2022);
- nil drawings under the USD150.0 million committed syndicated facility maturing in April 2024 (2019: USD200.0 million drawn under a USD300.0 million committed syndicated facility maturing in April 2024);
- nil drawings under the three bilateral agreements, one for $25.0 million maturing in March 2021, and two for $35.0 million each, one maturing in April 2021 and the other in January 2022. Each bilateral agreement is held with a separate domestic financial institutions.

The amounts have been drawn under Australian, US dollars and NZ dollars and bear interest at the applicable BBSY, LIBOR and BKBM rate plus an applicable credit margin.

The US Private Placement of notes of USD243.0 million, consists of USD100.0 million which matures in July 2023 and USD143.0 million which matures in July 2025.

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Section 2: Capital structure and financing (continued)

2.4 Equity

This section explains material movements in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 30 June 2020 are presented in the statement of changes in equity.

2.4.1 Contributed equity

	Ordinary shares		Treasury shares	
	No. '000	$ million	No. '000	$ million
At 1 July 2018	1,206,685	499.7	(6,767)	(19.8)
Acquisition of shares by the Orora Employee Share Trust (note 6.3)	–	–	(3,000)	(10.5)
Proceeds received from employees on exercise of options	–	5.4	–	–
Treasury shares used to settle Team Member Share Plan	–	–	357	1.3
Treasury shares used to satisfy issue of CEO Grant	–	(0.2)	50	0.2
Exercise of vested grants under Employee Share Plans	8,233	8.0	–	–
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	(8,233)	(24.9)	8,233	24.9
At 30 June 2019	**1,206,685**	**488.0**	**(1,127)**	**(3.9)**
Capital return and share consolidation[1]	**(241,322)**	**(150.0)**	**164**	**0.4**
Acquisition of shares by the Orora Employee Share Trust (note 6.3)	**–**	**–**	**(6,920)**	**(18.6)**
Proceeds received from employees on exercise of options	**–**	**8.0**	**–**	**–**
Treasury shares used to settle Team Member Share Plan	**–**	**–**	**234**	**0.7**
Treasury shares used to satisfy issue of CEO Grant	**–**	**(0.7)**	**209**	**0.7**
Exercise of vested grants under Employee Share Plans	**6,785**	**9.0**	**–**	**–**
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	**(6,785)**	**(19.1)**	**6,785**	**19.1**
At 30 June 2020	**965,363**	**335.2**	**(655)**	**(1.6)**

(1) On 16 June 2020, the shareholders approved a capital return of 12.4 cents per share payable to each individual holding shares in Orora as at the record date of 22 June 2020. The payment of the capital return of $150.0 million return occurred on 29 June 2020. At the same time of approving the capital return the shareholders also approved the share consolidation. Under the share consolidation every ordinary share was converted into 0.80 ordinary shares (5 shares became 4).

Ordinary shares

Ordinary shares are classified as equity. The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid, all shares rank equally with regard to the Company's residual assets. Ordinary shares entitle the holder to participate in dividends, as declared from time to time, and are entitled to one vote per share at meetings of the Company. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax benefit effects.

Treasury shares

Where the Orora Employee Share Trust purchases equity instruments in the Company that have been identified as treasury shares, the consideration paid, including any directly attributable costs is deducted from equity, net of any related income tax effects. When the treasury shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and the related income tax effects, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings. Refer to note 6.3.

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2.4.2 Reserves

$ million	2020	2019
Cash flow hedge reserve	**(4.4)**	(0.2)
Share-based payment reserve	**11.1**	15.5
Demerger reserve	**132.9**	132.9
Exchange fluctuation reserve	**(0.4)**	16.5
Total reserves	**139.2**	164.7

Details of movements in each of the reserves is presented in the statement of changes in equity.

Accounting policies

Cash flow hedge reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

During the 12 months to 30 June 2020 the following movements were recognised in the cash flow hedge reserve:

$ million	2020	2019
Unrealised (losses)/gains on cash flow hedges		
Forward exchange contract (loss)/gain	**(5.0)**	0.3
Interest rate swap contracts (loss)/gain	**–**	(0.1)
	(5.0)	0.2
Realised (gains)/losses transferred to profit or loss		
Forward exchange contract loss/(gain)	**(0.9)**	(6.9)
Interest rate swap contracts loss/(gain)	**–**	2.3
	(0.9)	(4.6)
Realised (gains)/losses transferred to non-financial assets		
Forward exchange contract loss/(gain)	**(0.1)**	(0.1)

Refer to note 5.4 for further information on these derivative instruments.

Share-based payment reserve
The share-based payment reserve is used to recognise the fair value of options and rights recognised as an expense. The Company provides benefits to employees of the Group in the form of share-based payments, whereby employees render services in exchange for options or rights over shares. Refer to note 7.1 for further details of the Groups share-based payment plans.

The fair value of options and rights granted is recognised as an employee benefit expense in the income statement with a corresponding increase in the share-based payments reserve in equity and is spread over the vesting period during which the employees become unconditionally entitled to the option or right. Upon exercise of the options or rights, the balance of the share-based payments reserve, relating to the option or right, is transferred to share capital.

Demerger reserve
The demerger reserve represents the difference between the consideration paid by Orora under an internal corporate restructure and the assets and liabilities acquired, which were recognised at their carrying value under a common control transaction.

Exchange fluctuation reserve
For controlled entities with a functional currency, that is not Australian dollars, their assets and liabilities are translated at the closing exchange rate at reporting date while income and expenses are translated at year to date average exchange rates.

On consolidation all exchange differences arising from translation are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

In addition, foreign exchange gains or losses are deferred in equity if they relate to qualifying cash flow hedges, qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. When a foreign operation is disposed of, the cumulative amount recognised within the reserve relating to that foreign operation is transferred to the income statement as an adjustment to the profit or loss on disposal.

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Section 2: Capital structure and financing (continued)

2.4 Equity (continued)

2.4.3 Retained earnings

Retained earnings comprises profit for the year attributable to owners of the Company and other items recognised directly in equity as presented on the statement of changes in equity.

$ million	2020	2019
Retained earnings at the beginning of the period	**995.7**	998.5
Impact of change in accounting policy (note 7.8)	**(69.8)**	(7.3)
Restated retained earnings at beginning of the period	**925.9**	991.2
Net profit attributable to the owners of Orora Limited	**239.9**	161.2
	1,165.8	1,152.4
Ordinary dividends:		
– Final paid (refer note 2.2)[1]	**(78.2)**	(78.3)
– Interim paid (refer note 2.2)[2]	**(78.4)**	(78.4)
– Special dividend (refer note 2.2)[3]	**(450.0)**	–
	(606.6)	(156.7)
Retained earnings at the end of the period	**559.2**	995.7

(1) 2019 Final dividend paid on 12 October 2019 (2019: 2018 Final dividend paid on 15 October 2018).
(2) 2020 Interim dividend paid on 9 April 2020 (2019: 2019 Interim dividend paid on 11 April 2019).
(3) Special dividend was paid on 29 June 2020 representing 37.3 cents per ordinary share. Refer note 2.2 for further information.

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Section 3: Assets and liabilities

IN THIS SECTION

This section details the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages there are notes covering working capital, other assets, non-current assets and provisions.

Liabilities relating to the Group's financing activities are set out in Section 2, whilst the assets and liabilities recognised in respect of derivative instruments, used to hedge financial risks, are contained in Section 5. Information pertaining to deferred tax assets and liabilities is provided in Section 4.

3.1 Trade and other receivables

$ million	2020	2019
Trade receivables	**360.4**	609.8
Less loss allowance provision	**(3.3)**	(3.2)
	357.1	606.6
Other receivables[1]	**103.4**	67.8
Total current trade and other receivables	**460.5**	674.4

(1) These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Accounting policies

Trade receivables and other receivables are all classified as financial assets held at amortised cost.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less a loss allowance provision. The Group, from time to time, enters into trade financing instruments in respect of trade receivables.

The carrying value of trade and other receivables, less impairment provisions, is considered to approximate fair value, due to the short-term nature of the receivables.

Impairment of trade receivables
The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified.

The Group recognises an impairment provision based upon anticipated lifetime losses of trade receivables. The anticipated losses are determined with reference to historical loss experience and is regularly reviewed and updated.

The amount of the impairment loss is recognised in the income statement within 'general and administration' expense.

Credit risks related to receivables

In assessing an appropriate provision for impairments of receivables consideration is given to historical experience of bad debts, the ageing of receivables, knowledge of debtor insolvency or other credit risk and individual account assessment.

Customer credit risk is managed by each business group in accordance with the procedures and controls set out in the Group's credit risk management policy. Credit limits are established for all customers based on external and internal credit rating criteria and letters of credit or other forms of credit insurance cover are obtained where appropriate. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry and existence of previous financial difficulties.

For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The Group does not otherwise require collateral in respect of trade and other receivables.

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Section 3: Assets and liabilities (continued)

3.1 Trade and other receivables (continued)

The following tables sets out the ageing of trade receivables, according to their due date:

	Loss allowance provision		Gross carrying amount	
$ million	**2020**	2019	**2020**	2019
Not past due	**–**	–	**297.5**	511.8
Past due 0–30 days	**–**	0.1	**40.1**	65.0
Past due 31–120 days	**–**	0.5	**18.4**	27.8
More than 121 days past due	**3.3**	2.6	**4.4**	5.2
	3.3	3.2	**360.4**	609.8

The Group has recognised a net loss of $7.6 million (2019: $2.8 million) in respect of the trade receivables written off in the financial year. The loss has been included in 'general and administration' expense in the income statement.

3.2 Inventories

$ million	**2020**	2019
At cost		
Raw materials and stores	**95.2**	210.5
Work in progress	**6.0**	20.7
Finished goods	**271.7**	329.8
Total inventory carried at cost	**372.9**	561.0
At net realisable value		
Raw materials and stores	**33.7**	46.2
Work in progress	**–**	1.8
Finished goods	**6.3**	33.0
Total inventory carried at net realisable value	**40.0**	81.0
Total inventories	**412.9**	642.0

Accounting policies

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its existing location and condition are accounted for as follows:

- Raw materials – purchase cost on a weighted average cost formula;
- Manufactured finished goods and work in progress – cost of direct material and labour and an appropriate proportion of production and variable overheads incurred in the normal course of business.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

During the period the Group recognised a net write-down of $9.4 million (2019: $4.5 million) with regard to the net realisable value of inventories which has been recognised in 'cost of sales' expense in the income statement.

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3.3 Trade and other payables

$ million	2020	2019
Trade creditors	**436.3**	714.2
Other creditors and accruals	**227.2**	284.9
Total current trade and other payables	**663.5**	999.1

Accounting policies

Trade and other payables are all classified as financial liabilities held at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which were unpaid at the end of the financial year and these amounts are unsecured. The Group, from time to time, enters into trade financing instruments in respect of trade payables.

The carrying value of trade and other payables is considered to approximate fair value due to the short-term nature of the payables.

Trade and other payables are included in current liabilities, except for those liabilities where payment is not due within 12 months from reporting date which are classified as non-current liabilities.

3.4 Other assets

$ million	2020	2019
Current		
Contract incentive payments[(1)]	**9.1**	13.5
Prepayments and other current assets	**27.1**	42.0
Total other current assets	**36.2**	55.5
Non-Current		
Contract incentive payments[(1)]	**22.0**	31.4
Other non-current assets	**83.0**	56.1
Total other non-current assets	**105.0**	87.5

(1) Contract incentives are provided to customers to secure long-term sale agreements and are amortised over the period of the contractual arrangement.

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Section 3: Assets and liabilities (continued)

3.5 Property, plant and equipment

The following note details the physical assets used by the Group to operate the business to generate revenues and profits.

The cost of these assets is the amount initially paid for them with a depreciation charge recognised in the income statement to reflect the wear and tear of the assets as they are used which reduces the value of the asset over time.

$ million	Land	Land improvements	Buildings	Plant and equipment	Finance leased assets	Total
Cost						
At 1 July 2018	51.9	12.9	491.0	2,886.9	3.5	3,446.2
Additions for the period	–	–	4.4	177.1	–	181.5
Disposals during the period	(0.1)	–	(0.5)	(62.6)	–	(63.2)
Additions through business acquisitions	–	–	0.1	2.2	0.9	3.2
Other transfers	0.2	0.2	14.3	(14.7)	–	–
Effect of movements in foreign exchange rates	0.1	0.1	3.2	33.3	0.2	36.9
At 30 June 2019	**52.1**	**13.2**	**512.5**	**3,022.2**	**4.6**	**3,604.6**
Additions for the period	**–**	**–**	**0.5**	**161.5**	**–**	**162.0**
Disposals during the period	**(0.2)**	**–**	**(15.2)**	**(39.9)**	**(0.1)**	**(55.4)**
Disposal of businesses and controlled entities	**(38.0)**	**(5.5)**	**(281.5)**	**(1,875.1)**	**–**	**(2,200.1)**
Other transfers	**–**	**0.7**	**31.1**	**(31.8)**	**–**	**–**
Effect of movements in foreign exchange rates	**–**	**(0.1)**	**–**	**(1.7)**	**0.1**	**(1.7)**
At 30 June 2020	**13.9**	**8.3**	**247.4**	**1,235.2**	**4.6**	**1,509.4**
Accumulated depreciation and impairment						
At 1 July 2018	(0.4)	(4.1)	(144.2)	(1,602.8)	(1.0)	(1,752.5)
Depreciation charge	(0.1)	(0.3)	(15.6)	(106.3)	(0.6)	(122.9)
Disposals during the period	0.1	–	0.3	60.2	–	60.6
Impairment loss	–	–	–	(1.2)	–	(1.2)
Effect of movements in foreign exchange rates	–	–	(2.1)	(20.4)	(0.6)	(23.1)
At 30 June 2019	**(0.4)**	**(4.4)**	**(161.6)**	**(1,670.5)**	**(2.2)**	**(1,839.1)**
Depreciation charge	**–**	**(0.2)**	**(10.9)**	**(70.6)**	**(0.6)**	**(82.3)**
Disposals during the period	**–**	**–**	**15.3**	**34.5**	**–**	**49.8**
Disposal of businesses and controlled entities	**0.4**	**1.9**	**79.2**	**973.2**	**–**	**1,054.7**
Impairment loss[1]	**–**	**–**	**–**	**(20.6)**	**(1.5)**	**(22.1)**
Other transfers	**–**	**–**	**(0.9)**	**0.9**	**–**	**–**
Effect of movements in foreign exchange rates	**–**	**–**	**(0.1)**	**1.4**	**–**	**1.3**
At 30 June 2020	**–**	**(2.7)**	**(79.0)**	**(751.7)**	**(4.3)**	**(837.7)**
Net book value						
At 30 June 2019	51.7	8.8	350.9	1,351.7	2.4	1,765.5
At 30 June 2020	**13.9**	**5.6**	**168.4**	**483.5**	**0.3**	**671.7**

(1) The impairment loss recognised during the period includes $9.5 million included in significant items relating to restructuring in North America, $9.4 million recoverable amount impairments, and $3.1 million write-off of Group assets relating to the Australasian Fibre business refer note 1.2.

At 30 June 2020, no property, plant and equipment was provided as security for any interest-bearing borrowings (2019: nil).

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Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs that are related to the acquisition, construction or production of an asset. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation
Property, plant and equipment, excluding freehold land, is depreciated at rates based upon the expected useful lives, or in the case of leasehold improvements and certain leased plant and equipment the lease term, using the straight-line method. Land is not depreciated. Depreciation rates used for each class of asset for the current and comparative periods are as follows:

- Buildings 1% – 5%
- Land improvements 1% – 3%
- Plant and equipment 2.5% – 25%

Depreciation is calculated by estimating the number of years the Group expects an asset to be used over. At each reporting date depreciation methods, residual values and useful lives are reassessed and adjusted if necessary. In addition, assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that an asset carrying amount may not be recoverable. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit. Refer note 3.8 for further details.

3.6 Leases

During the period the Group adopted AASB 16 *Leases*, the new accounting standard for leases, which changed the Group's accounting policy in respect of leases. Refer to note 7.8 for details of the impact of the new accounting policy upon the Group.

The following note details leased right-of-use assets utilised used by the Group as a lessee to operate the business to generate revenues and profits. This includes the lease of warehouse, office and factory facilities, vehicles and other items of plant and equipment.

The cost of these assets represents the net present value of the future lease payments with an amortisation charge recognised in the income statement to reflect the utilisation of the right-of-use asset over the term of the lease arrangement.

Other than minor sub-lease arrangements, the Group is not a lessor of assets.

The lease for premises typically run for a period of 10 to 15 years with an option to renew the lease after that date. Lease payments for premises are adjusted annually either through a fixed rental increase, typically 3.0% per annum, or are linked to changes in the consumer price index or as a result of a market rent review process.

The leases for items of plant and equipment, which includes vehicles, typically run for periods of three to five years. In the majority of instances when these lease contracts expire they are replaced by new leases for identical underlying assets.

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Section 3: Assets and liabilities (continued)

3.6 Leases (continued)

Right-of-use assets

$ million	Property	Plant and Equipment	Total
Cost			
At 1 July 2019	–	–	–
Impact of change in accounting policy (note 7.8)	470.0	34.7	504.7
Restated balance at 1 July 2019	**470.0**	**34.7**	**504.7**
Additions	**2.7**	**5.0**	**7.7**
Derecognition of right-of-use assets	**(0.1)**	**(0.6)**	**(0.7)**
Disposal of businesses and controlled entities	**(222.4)**	**(12.5)**	**(234.9)**
Effect of movements in foreign exchange rates	**(1.5)**	**1.1**	**(0.4)**
At 30 June 2020	**248.7**	**27.7**	**276.4**
Accumulated depreciation and impairment			
At 1 July 2019	–	–	–
Impact of change in accounting policy (note 7.8)	(16.6)	–	(16.6)
Restated balance at 1 July 2019	**(16.6)**	**–**	**(16.6)**
Depreciation charge for the period	**(46.2)**	**(8.8)**	**(55.0)**
Derecognition of right-of-use assets	**0.1**	**0.5**	**0.6**
Reversal of impairment loss	**2.1**	**–**	**2.1**
Disposal of businesses and controlled entities	**7.4**	**1.1**	**8.5**
Effect of movements in foreign exchange rates	**1.1**	**0.2**	**1.3**
At 30 June 2020	**(52.1)**	**(7.0)**	**(59.1)**
Net book value			
At 1 July 2019	453.4	34.7	488.1
At 30 June 2020	**196.6**	**20.7**	**217.3**

Amounted recognised in the income statement

The following amounts, for continuing operations, were recognised in the income statement:

$ million	2020
Depreciation of right-of-use assets	**46.4**
Expenses relating to short-term leases	**15.8**
Expenses relating to low-value assets	**1.2**
Income from sub-leasing right-of-use assets	**(1.3)**
Interest on lease liabilities	**13.4**

In the comparative period the expense recognised in the income statement for continuing operations, in accordance with AASB 117 *Leases*, relating to operating leases was $70.4 million. Payments recognised in the income statement were recognised on a straight-line basis over the term of the lease. There were no contingent rental payments.

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Lease liabilities

$ million	2020	1 July 2019
Current lease liabilities	**50.8**	44.9
Non-current lease liabilities	**228.6**	550.4
	279.4	595.3

The following table sets out the maturity analysis of future lease payments. Lease liabilities are monitored within the Group's Treasury function.

$ million	2020	2019
Within one year	**62.4**	103.7
Between one and five years	**180.5**	299.3
More than five years	**92.3**	88.3
	335.2	491.3

Accounting policies

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liability
Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Payments associated with short-term leases of equipment and vehicles and all low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use Asset
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is deprecated over the underlying asset's useful life.

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Section 3: Assets and liabilities (continued)

3.6 Leases (continued)

Lease term
Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not the respective lessor.

Deferred tax
A lease transaction is considered a single transaction in which the recognition of the right-of-use asset and the lease liability are integrally linked. As a result differences that arise between the settlement of the lease liability and the amortisation of the leased asset result in a net temporary difference on which deferred tax is recognised in accordance with the Group's deferred tax accounting policy.

Judgements and estimates

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties and equipment, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate)
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

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3.7 Intangible assets

The following note details the non-physical assets used by the Group to generate revenue and profits.

These assets include computer software and licences, customer relationships and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets identified. In the case of goodwill, its cost is the amount the Group has paid for acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is 'intangible' value that comes from, for example, synergies available with the integration of the acquired business into the Group, a skilled and knowledgeable assembled workforce, proprietary technologies and processes and uniquely strong market positions.

	Other intangible assets			
$ million	Computer software	Other	Goodwill	Total
Cost				
At 1 July 2018	201.3	23.0	426.2	650.5
Additions for the period	6.6	–	–	6.6
Additions through business acquisitions	–	5.2	95.8	101.0
Disposals during the period	(0.6)	–	–	(0.6)
Effect of movements in foreign exchange rates	4.5	1.2	19.1	24.8
At 30 June 2019	**211.8**	**29.4**	**541.1**	**782.3**
Additions for the period	**5.8**	**–**	**–**	**5.8**
Disposals during the period	**(1.1)**	**–**	**–**	**(1.1)**
Disposal of businesses and controlled entities	**(69.6)**	**(1.0)**	**(80.3)**	**(150.9)**
Effect of movements in foreign exchange rates	**0.8**	**0.6**	**7.4**	**8.8**
At 30 June 2020	**147.7**	**29.0**	**468.2**	**644.9**
Accumulated amortisation and impairment				
At 1 July 2018	(137.3)	(10.3)	(8.2)	(155.8)
Amortisation charge	(7.7)	(2.3)	–	(10.0)
Disposals during the period	0.6	–	–	0.6
Effect of movements in foreign exchange rates	(1.9)	(0.5)	–	(2.4)
At 30 June 2019	**(146.3)**	**(13.1)**	**(8.2)**	**(167.6)**
Amortisation charge	**(9.5)**	**(2.6)**	**–**	**(12.1)**
Disposals during the period	**1.1**	**–**	**–**	**1.1**
Disposal of businesses and controlled entities	**63.9**	**0.4**	**7.9**	**72.2**
Impairment loss[(1)]	**(9.7)**	**(7.3)**	**(89.4)**	**(106.4)**
Effect of movements in foreign exchange rates	**1.0**	**0.2**	**2.5**	**3.7**
At 30 June 2020	**(99.5)**	**(22.4)**	**(87.2)**	**(209.1)**
Net book value				
At 30 June 2019	65.5	16.3	532.9	614.7
At 30 June 2020	**48.2**	**6.6**	**381.0**	**435.8**

(1) The impairment loss recognised during the period includes $96.7 million recoverable amount impairments, and $9.7 million write-off of Group assets relating to the Australasian Fibre business refer note 1.2.

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Section 3: Assets and liabilities (continued)

3.7 Intangible assets (continued)

Accounting policies

Other intangible assets
Other intangible assets include computer software, customer relationships and software licences. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, their fair value at the date of acquisition.

Internal spend on computer software is only capitalised within the development phase, when the asset is separate and it is probable that future economic benefits attributable to the asset will flow to the Group.

Following initial recognition, other intangible assets are carried at cost less amortisation and any impairment losses.

Other intangible assets are amortised on a straight line basis over their useful life and tested for impairment whenever there is an indication that they may be impaired. Refer to note 3.8 for further details on impairment.

Computer software and licences are amortised over a period of between three to ten years whilst customer relationships are amortised over a period of up to 20 years. The amortisation period and method is reviewed each financial year.

The Group does not hold any indefinite life other intangible assets.

Goodwill
The goodwill recognised by the Group has arisen as a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Goodwill is initially measured as the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired.

Goodwill is not amortised but is instead tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses.

Where there has been a change in the Group's circumstances such as, technological changes or a decline in business performance, a review of the value of the intangible assets, including goodwill, is undertaken to ensure the assets' value has not fallen below its amortised value. Should an assets' value fall below its amortised value an additional impairment charge is made against profit and the carrying value of the asset. Refer note 3.8.

3.8 Impairment of non-financial assets

Testing for impairment

The Group tests property, plant and equipment, intangibles and goodwill for impairment:

- where there is an indication that an asset may be impaired (which is assessed each reporting date);
- where there is an indication that previously recognised impairments (on assets other than goodwill) have changed; and
- at least annually for goodwill.

In testing for impairment, the recoverable amount is estimated for an individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the smallest identifiable group of assets that generate cash inflows that are largely independent from the cash flows of other assets or group of assets. Each CGU is no larger than an operating segment.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or value in use.

An impairment loss is recognised in the income statement if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs).

Impairment calculations

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the asset or CGU and the market's current assessment of the time value of money.

Value in use is assessed using cash flow projections for five years using data from the Group's latest internal forecasts and is management's best estimate of income, expenses, capital expenditure and cash flows for each CGU. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets in which the Group operates. Cash flows beyond the five-year period are extrapolated using estimated growth rates which are determined with regard to the long-term performance of each CGU in their respective markets and are not expected to exceed the long-term average growth rates for the industry in which each CGU operates.

The discount rate used in performing the value in use calculations reflects the Group's weighted average cost of capital, as adjusted for specific risks relating to each geographical region in which the CGU's operate.

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Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or may have decreased, the asset is tested for impairment. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Impairments recognised for goodwill are not reversed.

Goodwill impairment tests

For the purpose of impairment testing, goodwill is allocated to CGUs or groups of CGUs according to the level at which management monitors goodwill. Goodwill is tested annually or more regularly if there are indicators of impairment.

The recoverable amounts of the CGUs were based on the present value of the future cash flows expected to be derived from the CGU (value in use calculation). Value in use is calculated from cash flow projections for five years using data from the Group's latest internal forecasts. The key assumptions for the value in use calculations are those regarding the expected changes in earnings during the initial five-year period, discount rates and growth rates applied to the extrapolated periods of the value in use calculation.

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount of each CGU:

	Australasia	Orora Packaging Solutions	Orora Visual
2020			
Goodwill allocation ($million)	**32.7**	**281.4**	**66.9**
Pre-tax discount rate (%)	**9.1**	**9.0**	**9.0**
Terminal growth rate (%)	**1.5**	**1.5**	**1.5**
2019			
Goodwill allocation ($million)	105.9	276.9	150.1
Pre-tax discount rate (%)	9.7	9.5	9.5
Terminal growth rate (%)	2.0	2.0	2.0

Orora Visual CGU

In applying the Group's accounting policy in respect of reviewing for impairment of non-financial assets, management's assessment has identified an impairment to the carrying value of the Orora Visual CGU of $106.2 million (refer note 1.2).

The decrease in the estimated recoverable amount of this CGU compared to prior years reflects the difficulty of management turnaround initiatives, implemented to address the below expectations business performance, to gain traction in the current year which was materially compounded by the impact of COVID-19. Whilst the majority of Orora's business have been resilient during COVID-19, many of the end market segments serviced by Orora Visual were more significantly impacted and uncertainty remains over the timing of recovery of these markets. These factors have resulted in a lower estimation of future cash flows resulting in the impairment charge.

The recoverable amount of the CGU is based on the present value of the future cash flows expected to be derived from the CGU (value in use calculation). The key assumptions used in assessing the recoverable amount, as set out in the table above, include a pre-tax discount rate of 9.0% and a terminal growth rate of 1.5%.

Within the value in use calculations, EBIT growth over the five year forecast period reflects management's expectations that the markets that Orora Visual serves will continue to be impacted by COVID-19 in the short term and then slowly recover. These market conditions, coupled with the positive cost benefits from a program of approved business restructuring and improvement strategies, lead to an improved cash flow profit but at lower levels than previously forecast. For the current period impairment assessment a terminal growth rate of 1.5% was applied beyond the Groups' five year internal forecast. This rate is based on market estimates of the long-term average growth rate in the market in which the Orora Visual operates.

The cash flows of the Orora Visual CGU are sensitive to the uncertainty that remains around the impact and recovery of the market due to COVID-19. This uncertainty, and any adverse movements in key assumptions, may lead to an additional impairment.

Other CGUs

Based on current economic conditions and performance of the Australasia and Orora Packaging Solutions CGUs, no reasonably possible change in a key assumption used in the determination of the recoverable value of these CGUs would result in a material impairment to the Group.

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Section 3: Assets and liabilities (continued)

3.8 Impairment of non-financial assets (continued)

Judgements and estimates

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment. Management is required to make significant judgements concerning the identification of impairment indicators, such as changes in competitive positions, expectations of growth, increased cost of capital, and other factors that may indicate impairment, such as a business restructuring.

Management is also required to make significant estimates regarding future cash flows and the determination of fair values when assessing the recoverable amount of assets (or groups of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

3.9 Provisions

$ million	Employee entitlements	Workers' compensation, insurance and other claims	Asset restoration, restructuring and decommissioning	Total
2020				
Opening balance	**90.5**	**6.2**	**106.3**	**203.0**
Provisions made during the period[1]	**34.9**	**3.3**	**28.0**	**66.2**
Payments made during the period	**(35.6)**	**(2.1)**	**(38.3)**	**(76.0)**
Released during the period	**(1.2)**	**(0.5)**	**(12.2)**	**(13.9)**
Disposal of businesses and controlled entities	**(61.8)**	**–**	**(1.2)**	**(63.0)**
Unwinding of discount	**–**	**–**	**0.2**	**0.2**
Effect of movement in foreign exchange rate	**0.1**	**–**	**0.2**	**0.3**
Closing balance	**26.9**	**6.9**	**83.0**	**116.8**
Current	**24.9**	**6.9**	**64.0**	**95.8**
Non-current	**2.0**	**–**	**19.0**	**21.0**
2019				
Opening balance	87.7	10.0	60.8	158.5
Provisions made during the period[1]	31.6	0.8	74.9	107.3
Payments made during the period	(30.4)	(3.2)	(29.2)	(62.8)
Released during the period	(0.9)	(1.5)	(0.7)	(3.1)
Additions through business acquisitions	1.7	–	–	1.7
Unwinding of discount	–	–	0.4	0.4
Effect of movement in foreign exchange rate	0.8	0.1	0.1	1.0
Closing balance	90.5	6.2	106.3	203.0
Current	82.4	6.2	58.3	146.9
Non-current	8.1	–	48.0	56.1

(1) During the period a significant item expense of $7.6 million in respect of restructuring charges in North America was recognised, of which the majority ($7.2 million) is a result of the decision to close the Orora Visual Los Angeles site. In addition, included in the significant item profit on sale of the Australasian Fibre business are provisions of $19.9 million regarding remaining transaction charges, transition costs and indemnities. In the comparative period a significant item expense of $24.0 million was recognised in respect of restructuring charges that were identified through a review of the Group's costs structures in both Australasia and North America, as well as a significant item expense of $50.0 million for additional decommissioning costs associated with the Petrie site.

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Accounting policies

A provision is recognised when: the Group has a present legal or constructive obligation arising from past events; it is probable that cash will be paid to settle it; and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the income statement.

Employee entitlements

The provision for employee entitlements represents the obligation for annual leave, long service leave entitlements and incentives accrued by employees.

Liabilities for employee benefits such as wages, salaries and other current employee entitlements represent present obligations arising from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates, including related on-costs, such as workers compensation insurance and payroll tax, and are presented in other payables.

The liability for annual leave and long service leave is measured as the present value of estimated future cash outflows to be made in respect of services provided by the employee up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments that are not expected to be settled within 12 months are discounted using market yields at the reporting date of high-quality corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Workers' compensation, insurance and other claims

The Group self-insures for various risks, including risks associated with workers' compensation. Provisions are recognised for claims received and expected to be received in relation to incidents occurring prior to reporting date and are measured based upon historical claim rates.

Estimated net future cash flows are based on the assumption that all claims will be settled and the weighted average cost of historical claims adjusted for inflation will continue to approximate future costs.

Asset restoration, restructuring and decommissioning

Asset restoration and decommissioning

Where the Group has a legal or constructive obligation to restore a site on which an asset is located, either through make-good provisions included in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognised as a provision with a corresponding increase in the related item of property, plant and equipment.

At each reporting date, the liability is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the liability are added to or deducted from the related asset, other than the unwinding of the discount, which is recognised as a financing cost in the income statement. If there is no related asset in respect of the restoration or decommissioning activity changes in the liability are recognised in the income statement.

In the current period, the asset restoration provision includes amounts that have been recognised in respect of certain environmental contamination indemnities provided under the Australian Fibre sale and purchase agreement. The indemnity relates to certain pre-existing contamination that may exist at the Australasian Fibre sites as at 30 April 2020, where after this date the contamination is either a) required to be remediated by a regulatory agency or b) the site is subject to regulatory enforcement action that is directly related to pre-existing contamination.

At the date of this Report, the Group has recognised a provision for potential future costs that may be incurred in relation to any identified environmental contamination using all currently available information, which requires significant judgement in respect of determining a reliable estimate.

In the comparative period the Group recognised a significant item expense of $50.0 million relating to additional costs associated with the decommissioning of the former Petrie Mill site (refer note 1.2).

The decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies. The Group continues to use a specialist environmental consulting firm to manage the completion of the remaining remediation works.

At the date of this Report, decommissioning work continues on site with the estimated costs to complete the decommissioning contingent on final remediation requirements which require significant judgement in respect of determining a reliable estimate.

Management have measured the Petrie decommissioning provision at 30 June 2020 using all currently available information and considering applicable legislative and environmental regulations. However, given the complexity and multiple stakeholders involved in the decommissioning of the Petrie site, there remains a risk of further currently unidentified costs in the future.

Restructuring

A provision for restructuring is recognised when the Group has a detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced, including discussions with affected personnel. Future operating costs in relation to the restructuring are not provided for. Payments falling due greater than 12 months after reporting date are discounted to present value.

Costs totalling $7.6 million have been recognised in relation to the restructuring activities in North America of which the vast proportion of this ($7.2 million) is a result of the decision to close the Orora Visual Los Angeles Site (refer note 1.2). The majority of the North American restructuring initiatives will be implemented during the first half of FY21.

The restructuring provision in the current period includes $14.9 million relating to remaining transaction and transitions costs associated with the sale of the Australasian Fibre business (refer note 6.2). The majority of the costs will be incurred during FY21 as the sale and separation of the Australasian Fibre business is finalised.

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Section 3: Assets and liabilities (continued)

3.9 Provisions (continued)

Judgements and estimates

A provision is recognised by the Group where an obligation exists relating to a past event, it is probable that a cash payment will be required to settle it, and the Group is not certain how much cash will be required to settle the liability. The value of that provision is based upon estimates and assumptions with regards to the amount and timing of cash flows required to settle the obligation, which are dependent on future events. The key assumptions applicable to the determination of the provisions are as follows:

Employee entitlements
The provision for employee entitlements is based on a number of management estimates, which include:

- future increase in salaries, wages and on-cost rates
- future probability of employee departures
- future probability of years of service (long service leave provision)

Workers' compensation
The self-insured workers' compensation provision is based on a number of management estimates including, but not limited to:

- future inflation
- claim administration expenses
- historical weighted average size of claims
- claim development

Asset restoration and decommissioning
Asset restoration and decommissioning provisions require assessments to be made of lease make-good conditions and decommissioning and environmental risks. The provisions require estimates to be made of costs to dismantle and remove equipment and to restore the site to the condition required under the terms of the lease or contract and as required by environmental laws and regulations.

The recognition and measurement of asset restoration and decommissioning provisions is a complex area and requires significant judgement and estimates. The measurement of the provision can vary as a result of many factors, including, but not limited to:

- changes in the relevant legal or local/national government requirements and any other commitments made to stakeholders
- review of remediation and restoration options
- identification of additional remediation requirements identified during the restorative process
- the emergence of new restoration techniques

In determining an appropriate provision management gives consideration to the results of the most recently completed surveying data in respect of the remediation process, current cost estimates and appropriate inclusion of contingency in cost estimates to allow for both known and unknown residual risks.

Estimates can be impacted by the emergence of new restoration techniques and experience at other operations. This is compounded by the fact that there has been limited restoration activity and historical precedent within the Group against which to benchmark estimates of the costs to remediate.

All the uncertainties discussed above may result in future actual expenditure differing from the amounts currently provided for in the balance sheet.

Restructuring
Restructuring provisions require assessments to be made regarding the timing of recognition, specifically are plans sufficiently detailed, approved and communicated to support recognition at a point in time. The provisions also require estimates to be made of the cost of restructuring and the timing of these cash outflows.

The judgements, estimates and assumptions used in the booking of all provisions are evaluated on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstance and are management's best estimates based on currently available information, legislation and environmental laws and regulations. The actual result may differ from these account estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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Section 4: Income tax

IN THIS SECTION

This section sets out the Group's tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the income statement), a reconciliation of profit before tax to the tax charge for the period and the movements in the deferred tax assets and liabilities.

4.1 Income tax expense

The total taxation charge in the income statement for continuing operations is analysed as follows:

$ million	2020	2019
Current tax expense		
Current period	**(32.5)**	(42.3)
Adjustments relating to prior periods	**1.7**	0.5
Total current tax expense	**(30.8)**	(41.8)
Deferred tax expense		
Origination and reversal of temporary differences	**21.8**	5.2
Total income tax expense	**(9.0)**	(36.6)
Deferred income tax expense included in income tax expense comprises:		
Increase/(Decrease) in deferred tax assets	**32.1**	12.1
(Increase)/Decrease in deferred tax liabilities	**(10.3)**	(6.9)
Deferred income tax expense included in total income tax expense	**21.8**	5.2

The following table provides a numerical reconciliation of income tax expense for continuing operations to prima facie tax payable:

$ million	2020	2019
Profit before related income tax (expense)/benefit	**36.6**	153.1
Tax at the Australian tax rate of 30% (2019: 30%)	**(11.0)**	(45.9)
Net tax effect of amounts which are non-deductible/non-assessable for tax	**2.0**	5.5
	(9.0)	(40.4)
Over provision in prior period	**1.7**	0.5
Foreign tax rate differential	**(1.7)**	3.3
Total income tax expense[1]	**(9.0)**	(36.6)

(1) Total income tax expense in the current period includes an income tax benefit of $37.1 million in respect of the significant items recognised during the period. The comparative period includes a net income tax benefit of $20.4 million relating to significant items (refer note 1.2).

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Section 4: Income tax (continued)

4.2 Deferred tax balances

Deferred income tax in the balance sheet relates to the following:

$ million	2020	2019
Deferred tax assets		
Net right-of-use lease accounting	**16.9**	–
Trade receivable loss allowance provision	**0.4**	0.9
Valuation of inventories	**14.7**	14.6
Employee benefits	**27.3**	44.2
Provisions	**22.9**	31.1
Financial instruments at fair value	**2.7**	1.5
Accruals and other items	**–**	11.9
	84.9	104.2
Tax set off	**(71.2)**	(104.2)
Deferred tax asset	**13.7**	–
Deferred tax liabilities		
Property, plant and equipment	**57.6**	134.2
Intangible assets	**4.6**	24.3
Other items	**9.0**	28.0
	71.2	186.5
Tax set off	**(71.2)**	(104.2)
Deferred tax liability	**–**	82.3

Deferred income tax in the income statement from continuing operations relates to the following:

$ million	2020	2019
Property, plant and equipment	**(3.9)**	6.9
Net right-of-use lease accounting	**1.7**	–
Trade receivable loss allowance provision	**0.1**	1.1
Intangible assets	**(19.7)**	3.6
Valuation of inventories	**(4.2)**	(2.8)
Employee benefits	**(1.4)**	(1.9)
Provisions	**8.5**	(9.5)
Financial instruments at fair value	**0.1**	–
Accruals and other items	**(3.0)**	(2.6)
Deferred tax expense	**(21.8)**	(5.2)

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Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income respectively.

Current tax
Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax is also adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused tax losses.

Current tax assets and liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax
Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- taxable temporary differences arising on the initial recognition of goodwill;
- taxable differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Offsetting deferred tax balances
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Unrecognised deferred tax assets and liabilities
Deferred tax liabilities have not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group investments in subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

Unremitted earnings of the Group's international operations are considered to be reinvested indefinitely and relate to the ongoing operations. Upon distribution of any earnings in the form of dividends or otherwise, the Group may be subject to withholding taxes payable to various foreign countries, however, such amounts are not considered to be significant. As the Group controls when the deferred tax liability will be incurred and is satisfied that it will not be incurred in the foreseeable future, the deferred tax liability has not been recognised. There are no unrecognised deferred tax assets.



Judgements and estimates

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result the calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items, including assumptions made in respect of the application of tax legislation. There are many transactions and calculations relating to the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for uncertain tax positions based on management's best estimate of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determinations are made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. The assumptions regarding the future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

The assumptions made in respect of the recognised tax balances are subject to risk and uncertainty and there is a possibility that changes in circumstances or differences in opinion will alter outcomes which may impact the amount of deferred tax assets and deferred tax liabilities recognised and the amount of tax losses and timing differences not yet recognised.

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Section 5: Financial risk management

IN THIS SECTION

The following section outlines how the Group manages the financial risks it is exposed to associated with holding financial instruments that arise from the Group's need to access financing (bank loans and overdrafts and unsecured notes), from the Group's operational activities (cash, trade receivables and payables) and instruments held as part of the Group's risk management activities (derivate financial instruments).

Financial risk management is carried out by Orora Group Treasury under policies that have been approved by the Board for managing each of the below risks including principles and procedures with respect to risk tolerance, delegated levels of authority on the type and use of derivative financial instruments and the reporting of these exposures. The Treasury function reports regularly to the Audit, Risk & Compliance Committee and treasury procedures are subject to periodic reviews.

In accordance with Board approved policies the Group typically uses derivative financial instruments to hedge underlying exposures arising from the Group's operational activities relating to: changes in foreign exchange rates on foreign currency commercial transactions (transaction risk), exposure to changes in commodity prices, changes in interest rates on net borrowings and changes in the Company's share price.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as set out in the table below:

Risk	Exposure	Management
Market risks		
• Interest rate risk	The Group is exposed to interest rate risk in respect of short and long-term borrowings where interest is charged at variable rates.	The Group mitigates interest rate risk primarily by maintaining an appropriate mix of fixed and floating rate borrowing arrangements. Where necessary the Group hedges interest rate risk using derivative instruments – eg interest rate swaps. Refer notes 5.1.1 and 5.4.
• Foreign exchange risk	The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, financial assets and liabilities not denominated in A$ and net investments in foreign operations.	Where possible, loans are drawn in foreign currency by foreign entities to create a natural hedge of foreign currency assets and liabilities. Where this is not possible the Group's policy is to hedge contractual commitments denominated in a foreign currency by entering into forward exchange contracts. Refer notes 5.1.2 and 5.4.
• Commodity price risk	The Group is exposed to changes in commodity prices in respect of the purchase of aluminium raw materials and the price of electricity.	Where possible, the Group mitigates raw material commodity price risk by contractually passing rise and fall adjustments through to customers. To mitigate the variability of wholesale electricity prices in Australia, the Group utilises Power Purchase Arrangements (PPAs). Refer notes 5.1.3 and 5.4.
• Employee share plan risk	The Group's employee share plans require the delivery of shares to employees in the future when rights vest or options are exercised. The Group currently acquires shares on market to deliver these shares exposing the Group to cash flow risk – ie as the share price increases it costs more to acquire the shares on market.	The Group has established the Orora Employee Share Trust which manages and administers the Group's responsibilities under the employee share plans through acquiring, holding and transferring shares or rights to shares in the Company to participating employees. Refer note 5.1.4, 6.3 and 7.1.
Credit risk	The Group is exposed to credit risk from financial instrument contracts and trade and other receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.	The Group manages credit risk through a robust system of counterparty approval, granting and renewal of credit limits, regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis. Refer to notes 5.2 and 3.1 for credit risk exposures relating to trade and other receivables. The Group only enters into financial instrument contracts with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's.

Risk	Exposure	Management
Liquidity and funding risk	The Group is exposed to liquidity and funding risk from operations and from external borrowings, where the risk is that the Group may not be able to refinance debt obligations or meet other cash outflow obligations when required.	The Group mitigates funding and liquidity risks by ensuring that: • a sufficient range of funds are available to meet working capital and investment objectives; • adequate flexibility within the funding structure is maintained through the use of bank overdrafts, bank loans and unsecured notes; • through regular monitoring of rolling forecast of cash inflows and outflows, the cost of funding is minimised and that the return on any surplus funds is maximised through efficient cash management; • there is a focus on improving operational cash flow and maintaining a strong balance sheet. Refer note 5.3.

5.1 Market risks

5.1.1 Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's Treasury risk management policy is to maintain an appropriate mix between fixed and floating rate borrowings, monitoring global interest rates, and where appropriate, hedging floating interest rate exposures or borrowings at fixed interest rates through the use of interest rate swaps and forward interest rate contracts.

The Group's policy is to hold up to 85.0% fixed rate debt. At 30 June 2020, approximately 88.0% (2019: 39.6%) of the Group's debt is fixed rate. This is due to the sale of the Australasian Fibre business extinguishing almost all bank debt, while the fixed US Private Placement notes remain outstanding.

Exposure
The Group had the following variable rate borrowings and interest rate swap contracts outstanding at 30 June:

	Weighted average interest rate	Balance $million
2020		
Bank loans	**1.6%**	**48.0**
Interest rate swaps (notional principal amount)	**–**	**–**
Net exposure to cash flow interest rate risk		**48.0**
2019		
Bank loans	3.0%	607.0
Interest rate swaps (notional principal amount)	3.7%	(25.0)
Net exposure to cash flow interest rate risk		582.0

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Section 5: Financial risk management (continued)

5.1 Market risks (continued)

5.1.1 Interest rate risk (continued)

Interest rate derivatives used for hedging
The Group did not hold any derivative instruments as at 30 June 2020 in respect of hedging interest rate risk. The below carrying values represent the fair value of instruments used to hedge interest rate risk together with the associated nominal volume as at 30 June 2019:

	Notional item	Balance $million
2019		
Cash flow hedge	AUD25.0 floating to fixed	(0.1)
Total derivatives in a liability position		(0.1)

All of the Group's interest rate swaps are predominantly classified as cash flow hedges so any movement in the fair value is recognised directly in equity. The amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects profit or loss. During the period no amounts were recognised directly in equity in relation to interest rate swaps (2019: $0.1 million loss).

Sensitivity
At 30 June 2020, if Australian and US interest rates had increased by 1.0% (100 bps), post-tax profit for the year would have been $0.3 million lower (2019: $4.2 million lower), net of derivatives. If interest rates on Australian and US dollar denominated borrowings had decreased by 1.0% (100 bps), post-tax profit for the year would have been $0.3 million higher (2019: $4.2 million higher), net of derivatives.

Amounts recognised in profit or loss and other comprehensive income
During the year no amounts, relating to cash flow hedges on interest rate swaps were recognised in other comprehensive income (2019: $0.1 million loss). In addition, during the period there were no amounts relating to cash flow hedges that were transferred from equity to operating profit (2019: $2.3 million loss). During the period there was no amount recognised in the income statement in respect of hedge ineffectiveness on interest rate swaps contracts (2019: nil).

5.1.2 Foreign exchange risk

The Group operates internationally and is therefore exposed to currency risk arising from movements in foreign currency rates, primarily with respect to the US Dollar and NZ Dollar. The foreign exchange risk arises from:

- recognised monetary assets and liabilities held in a non-functional currency and net investments in foreign operations (translation risk); and
- differences in the dates foreign currency commercial transactions are entered into and the date they are settled (transaction risk).

The Group's exposure to foreign currency risk at the end of the reporting period in respect of foreign denominated monetary items, expressed in Australian dollars, was as follows:

2020	USD	NZD	CAD
Trade receivables	**25.4**	**0.2**	**12.2**
Trade payables	**(11.0)**	**(0.4)**	**–**
Foreign currency forwards			
Cash flow hedges			
Buy foreign currency	**88.2**	**–**	**–**
Sell foreign currency	**–**	**0.3**	**–**
Held for trading			
Buy foreign currency	**1.6**	**0.1**	**–**

2019	USD	NZD	EUR
Trade receivables	35.5	0.1	–
Bank loans	(312.0)	–	–
Trade payables	(19.7)	(0.3)	(16.5)
Foreign currency forwards			
Cash flow hedges			
Buy foreign currency	75.2	–	–
Sell foreign currency	–	70.9	–
Held for trading			
Buy foreign currency	2.1	0.2	6.6
Sell foreign currency	–	8.7	–

The following sensitivity illustrates how a reasonably possible change in the US dollar and NZ dollar would impact post-tax profit as at 30 June:

- if the Australian dollar had weakened by 10% against the US dollar with all other variables held constant, post tax profit would have been $1.2 million higher (2019: post-tax profit $1.3 million higher, equity $34.7 million higher).
- if the Australian dollar had weakened by 10% against the NZ dollar with all other variables held constant, there would have been no impact upon post tax profit (2019: $0.1 million lower)

Further details regarding foreign currency translation and translation risk is set out below.

Translation risk

To limit translation risk exposure the Group's borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the Group, which are primarily Australian and US dollars. Interest payable on those borrowings is denominated in the currency of the borrowing. In respect of the US operations this provides a natural economic hedge without requiring derivatives to be entered into.

Exposure
The summary quantitative data about the Group's exposure to translation currency risk, as reported to the management of the Group, is as follows:

	2020		2019	
$ million	USD	NZD	USD	NZD
Funds employed	**791.8**	**119.5**	806.7	243.6
Net Debt	**(269.3)**	**(23.3)**	(625.8)	6.5
	34.0%	**19.5%**	77.6%	(2.7%)

Transaction risk

To manage foreign currency transaction risk the Group's policy is to hedge material foreign currency denominated expenditure at the time of commitment and to hedge a proportion of foreign currency denominated forecasted exposures on a rolling 18-month basis (mainly relating to export sales and the purchase of inventory), using either a natural hedge where one exists, or through the use of forward foreign exchange contracts or foreign currency options taken out for up to two years from the forecast date.

Forward exchange derivatives used for hedging
The below carrying values represent the fair value of instruments used to hedge foreign exchange risk together with the associated nominal volume:

	Notional item	Weighted Average	$million Asset	$million Liability
2020				
Cash flow hedges				
AUD/USD	**USD69.3**	**0.6600**	**0.5**	**(5.1)**
NZD/USD	**USD20.5**	**0.6279**	**0.2**	**(1.0)**
NZD/AUD	**AUD0.4**	**0.9555**	**–**	**–**
Total derivatives in an asset/(liability) position			**0.7**	**(6.1)**
2019				
Cash flow hedges				
AUD/USD	USD63.7	0.7184	1.8	(0.1)
AUD/NZD	NZD(1.7)	1.0834	–	(0.1)
AUD/EUR	EUR22.6	0.6177	0.3	(0.1)
NZD/USD	USD13.6	0.6784	0.2	(0.1)
NZD/EUR	NZD0.1	0.5577	–	–
NZD/AUD	AUD82.7	0.9398	0.1	(1.3)
Total derivatives in an asset/(liability) position			2.4	(1.7)

Sensitivity
The following sensitivity illustrates how a reasonably possible change in the US dollar and NZ dollar would impact the fair value of the derivative financial instruments (refer note 5.4) held for future commercial transactions as at 30 June:

- if the Australian dollar had weakened by 10% against the US dollar with all other variables held constant, equity would have been $6.5 million higher (2019: $11.8 million higher).
- if the Australian dollar had weakened by 10% against the NZ dollar with all other variables held constant, there would have been no impact upon equity (2019: $0.2 million lower).

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Section 5: Financial risk management (continued)

5.1 Market risks (continued)

5.1.2 Foreign exchange risk (continued)

Amounts recognised in profit or loss and other comprehensive income
During the year, the Group recognised a foreign currency gain of $1.2 million (2019: $1.0 million loss) and a loss of $0.2 million (2019: $0.5 million loss) relating to foreign currency derivatives, that did not qualify as hedges, within general and administrative expenses in the income statement.

In addition, a loss of $5.0 million (2019: $0.3 million gain) relating to cash flow hedges and a $25.2 million loss (2019: $17.7 million gain) on the translation of foreign operations was recognised in other comprehensive income. Gains of $0.9 million (2019: $6.9 million gain) and a gain of $0.1 million (2019: $0.1 million gain), relating to cash flow hedges, were transferred from equity to operating profit and non-financial assets, respectively.

Upon the divestment of the Australasian Fibre business a foreign currency loss of $12.1 million ($8.3 million after tax) relating to the net investment hedge of the foreign operations of this disposed business was reclassified to profit on disposal. Refer note 6.2.

5.1.3 Commodity price risk

The Group is exposed to commodity price risk arising from the purchase of aluminium and the price of electricity.

Electricity prices

To manage the risk associated with the variability of wholesale electricity prices in Australia the Group utilises Power Purchase Arrangements (PPAs). These contracts are entered into in order to economically hedge exposure to fluctuations in electricity prices by purchasing electricity at predetermined prices.

These derivative instruments meet the requirements for hedge accounting. Settlement of the contracts require exchange of cash for the difference between the contracted and spot market price. The contracts are measured at fair value and the resultant gains or losses that effectively hedge designated risk exposures are deferred within the cash flow hedge reserve.

At 30 June 2020 the net carrying value, and fair value, of the instruments used to hedge commodity price risk in respect of electricity prices is a net liability of $1.5 million (2019: net asset $2.1 million).

Aluminium purchases

In managing commodity price risk associated with aluminium purchases the Group is able to pass on the price risk contractually to customers through rise and fall adjustments. In the case of aluminium some hedging is undertaken using fixed price swaps on behalf of certain customers. Hedging undertaken is upon customer instruction and all related benefits and costs are passed onto the customer on maturity of the transaction.

The movements in commodity hedges are recognised in equity and the cumulative amount of the hedge is recognised in the income statement when the forecast transaction is realised. There is no impact on profit as a result of movements in commodity prices where hedges have been put in place as the Group passes the price risk contractually through to customers. As the Group ultimately passes on the movement risk associated with commodity prices to customers, no sensitivity has been performed.

5.1.4 Employee Share Plan risk

The Group is exposed to movements in the value of ordinary shares of the Company in respect of the obligations under the Group's Employee Share Plans (refer note 7.1). To mitigate this risk the Group has established the Orora Employee Share Trust (the Trust) to manage and administer the Group's responsibilities under the Employee Share Plans through the acquiring, holding and transferring of shares, or rights to shares, in the Company to participating employees.

As at 30 June 2020, the Trust held 655,046 treasury shares in the Company (2019: 1,126,545), 168,000 allocated shares in respect of the CEO Grant (2019: 264,040) and 180,600 allocated shares in respect of vested shares held on trust that contain a post-vesting holding lock (2019: nil). Refer to note 6.3 for further details.

5.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers, cash and cash equivalents and in-the-money derivatives. There is also credit risk relating to the Group's own credit rating as this impacts the availability and cost of future finance.

The Group manages credit risk through the maintenance of procedures such as the utilisation of systems of approval, granting and renewal of credit limits, regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis.

Trade and other receivables

Credit risk exposures related to trade and other receivables are discussed in note 3.1.

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Cash and cash equivalents and derivatives

Credit risk related to balances with banks and financial institutions is managed by Orora Group Treasury in accordance with Group policy. The policy only allows financial derivative instruments to be entered into with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's. In addition the Board has approved the use of these financial institutions, and specific internal guidelines have been established with regards to limits, dealing and settlement procedures.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any security held, is equivalent to the carrying amount and classification of the financial assets (net of any provisions) as presented in the statement of financial position.

Guarantees

The Group's policy is to provide financial guarantees only to certain parties securing the liabilities of subsidiaries, and are only provided in exceptional circumstances (refer note 7.3).

5.3 Liquidity and funding risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financing policy is to fund itself for the long term by using debt instruments with a range of maturities and to ensure access to appropriate short-term facilities. Orora Group Treasury aims to maintain flexibility within the funding structure through the use of bank overdrafts and bank loans.

Management manages liquidity risk through maintaining minimum undrawn committed liquidity of at least $175.0 million that can be drawn upon at short notice and regularly monitoring rolling forecasts of cash inflows and outflows in relation to the Group's activities. This monitoring includes financial ratios to assess possible future credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

Financing arrangements

At 30 June 2020, the Group had access to:

- $350.0 million revolving multicurrency facility through a syndicate of domestic and international financial institutions maturing in April 2022.
- US Private Placement of notes USD243.0 million of which USD100.0 million matures in July 2023 and USD143.0 million matures in July 2025.
- USD150.0 million five-year USD revolving facility, through a syndicate of domestic and international financial institutions, maturing in April 2024.
- Three bilateral agreements, one for $25.0 million and two for $35.0 million, each with separate domestic institutions, with one maturing in March 2021, one maturing in April 2021 and the other in January 2022.

These facilities are unsecured.

The committed and uncommitted standby arrangements and unused facilities of the Group are set out below:

	2020			2019		
$ million	Committed	Uncommitted	Total	Committed	Uncommitted	Total
Financing facilities available:						
Bank overdrafts	–	**6.3**	**6.3**	–	6.3	6.3
US Private placement	**352.2**	–	**352.2**	356.1	–	356.1
Loan facilities and term debt	**662.3**	**73.0**	**735.3**	977.4	116.3	1,093.7
	1,014.5	**79.3**	**1,093.8**	1,333.5	122.6	1,456.1
Facilities utilised:						
Bank overdrafts	–	–	–	–	–	–
US Private placement	**352.2**	–	**352.2**	356.1	–	356.1
Loan facilities and term debt	**48.0**	–	**48.0**	607.0	–	607.0
	400.2	–	**400.2**	963.1	–	963.1
Facilities not utilised:						
Bank overdrafts	–	**6.3**	**6.3**	–	6.3	6.3
US Private placement	–	–	–	–	–	–
Loan facilities and term debt	**614.3**	**73.0**	**687.3**	370.4	116.3	486.7
	614.3	**79.3**	**693.6**	370.4	122.6	493.0

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Section 5: Financial risk management (continued)

5.3 Liquidity and funding risk (continued)

Maturity of financial liabilities

The table below analyses the Group's financial liabilities, including derivatives, into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed in the statement of financial position:

$ million	1 year or less	1–2 years	2–5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
2020						
Non-derivative financial instruments						
Trade and other payables	**663.5**	**–**	**–**	**–**	**663.5**	**663.5**
Lease liabilities	**62.7**	**53.4**	**128.0**	**93.3**	**337.4**	**279.4**
Borrowings	**14.2**	**61.6**	**171.8**	**207.5**	**455.1**	**399.4**
Total non-derivatives	**740.4**	**115.0**	**299.8**	**300.8**	**1,456.0**	**1,342.3**
Derivatives						
Net settled (interest rate swaps and commodity contracts)	**(0.7)**	**(0.6)**	**(0.2)**	**–**	**(1.5)**	**(1.5)**
Gross settled forward exchange contracts						
– Inflow	**130.2**	**6.8**	**0.2**	**–**	**137.2**	
– Outflow	**(135.5)**	**(7.0)**	**(0.2)**	**–**	**(142.7)**	
Total gross settled forward exchange contracts	**(5.3)**	**(0.2)**	**–**	**–**	**(5.5)**	**(5.5)**
Total derivatives	**(6.0)**	**(0.8)**	**(0.2)**	**–**	**(7.0)**	**(7.0)**
2019						
Non-derivative financial instruments						
Trade and other payables	999.1	8.8	3.5	0.5	1,011.9	1,011.9
Borrowings	32.8	30.6	817.1	221.3	1,101.8	960.3
Total non-derivatives	1,031.9	39.4	820.6	221.8	2,113.7	1,972.2
Derivatives						
Net settled (interest rate swaps and commodity contracts)	0.5	0.5	1.0	–	2.0	2.0
Gross settled forward exchange contracts						
– Inflow	209.1	18.9	1.6	–	229.6	
– Outflow	(208.4)	(19.0)	(1.5)	–	(228.9)	
Total gross settled forward exchange contracts	0.7	(0.1)	0.1	–	0.7	0.7
Total derivatives	1.2	0.4	1.1	–	2.7	2.7

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5.4 Hedging instruments

Hedging activities and the use of derivatives

What is a derivative?
A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables, such as exchange rates or interest rates, and is entered into for a fixed period of time. A hedge is where a derivative is used to manage exposure in an underlying variable.

The Group is exposed to certain market risks which include foreign exchange risk, interest rate risk and commodity price risk. In accordance with Board approved policies the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

Why do we need them?
The key market risks facing the Group:

- Foreign currency transaction risk is the risk that currency fluctuations will have a negative effect on the value of the Group's future cash flows due to changes in foreign currency between the date a commercial transaction is entered into and the date at which the transaction is settled
- Interest rate risk arises from fluctuations in variable market interest rates impacting the fair value or future cash flows on long-term borrowings
- Commodity price risk arises from significant changes in the price of electricity and key raw material inputs, in particular the purchase of aluminium.

How do we use them?
The Group employs the following derivative financial instruments when managing its foreign currency and interest rate risk:

- Forward exchange contracts and options are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date. The Group holds forward exchange contracts and options denominated in US Dollar and NZ Dollar to hedge highly probable forecast sale and purchase transactions (cash flow hedges);
- Interest rate swaps are derivative instruments that exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another, and are used to manage interest rate risk. These derivatives are entered into to optimise the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash flow hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.
- Power Purchase Arrangements are derivative instruments that are used to hedge transaction risk associated with the variability of wholesale electricity prices in Australia. These forward commodity contracts exchange a variable wholesale price of electricity for a fixed electricity price.

In respect of managing commodity price risk associated with aluminium purchases the Group uses forward commodity contracts. Forward commodity contracts are derivative instruments used to hedge price risk so they enable the purchase of aluminium raw materials at a known fixed rate on an agreed future date. On behalf of customers, aluminium hedging is undertaken using fixed price swaps. The Group passes on the price risk of commodities contractually through to customers, including any benefits and costs relating to swaps upon their maturity (fair value hedge).

All derivative financial instruments utilised by the Group are hedges of highly probable forecast transactions with a hedge ratio of 1:1, therefore the change in the hedging instrument is equal to the change in the value of the underlying hedged item.

Derivative financial instruments are only undertaken if they relate to underlying exposures, the Group does not use derivatives to speculate.

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Accounting policies

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into and are subsequently remeasured at fair value or 'marked to market' at each reporting date. The gain or loss on remeasurement is recognised immediately in the income statement unless the derivative is designated as a hedging instrument in which case the remeasurement is recognised in equity.

Hedge accounting

At the inception of the hedge relationship, the Group formally designates the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Where option contracts are used to hedge forecast transactions, only the intrinsic value of the option contract is designated as the hedging instrument.

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Section 5: Financial risk management (continued)

5.4 Hedging instruments (continued)

Rebalancing

If the hedging ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

For the purposes of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or net investment hedges and are accounted for as set out in the table below.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

	Fair value hedge	Cash flow hedge	Net investment hedge
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability or firm commitment.	A derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction.	Financial instruments hedging changes in foreign currency when the net assets of a foreign operation are translated from their functional currency into Australian dollars.
Movement in fair value	Changes in the fair value of the derivative are recognised in the income statement, together with the changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps, hedging fixed rate borrowings, is recognised in the income statement within 'finance costs', together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other income' or 'general and administration expenses'.	The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. The change in the fair value that is identified as ineffective is recognised immediately in the income statement within 'other income' or 'general and administration expenses'. Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset. Where options are used, changes in the fair value of the option are recognised in other comprehensive income depending on whether it is designated as the hedging instrument in its entirety, or it's intrinsic value only. If only the intrinsic value is designated, the option's time value that matches the terms of the hedged item is be recognised in equity and released to profit or loss over the term of the hedged item.	On consolidation, foreign currency differences arising on the translation of financial assets and liabilities designated as net investment hedges of a foreign operation are recognised in other comprehensive income and accumulated in the foreign exchange reserve, to the extent that the hedge is effective. Any ineffective portion is recognised in the income statement.
Discontinuation of hedge accounting	If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the income statement over the period to maturity using a recalculated effective interest rate.	When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.	Upon disposal of the foreign operation, which is subject to the net investment hedge, the cumulative amount that has been recognised in equity in relation to the hedged net investment is transferred to the income statement and recognised as part of the gain or loss on disposal.

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Fair value measurement

The following table sets out the fair value of derivative financial instruments utilised by the Group, analysed by type of contract. There were no transfers between level 1 and 2 for recurring fair value measurements during the year. The Group does not hold any material level 3 financial instruments.

		Level 2 Fair Value Hierarchy			
		2020		2019	
$ million	Note	Asset	Liability	Asset	Liability
Cash flow hedges					
Interest rate swap contracts	5.1.1	–	–	–	(0.1)
Foreign exchange derivative contracts	5.1.2	**0.6**	**(6.1)**	2.4	(1.7)
Electricity and commodity derivatives	5.1.3	**1.3**	**(2.8)**	5.9	(3.8)
Total derivatives in an asset/(liability) position		**1.9**	**(8.9)**	8.3	(5.6)
Current asset/(liability)		**1.0**	**(7.0)**	4.0	(3.0)
Non-current asset/(liability)		**0.9**	**(1.9)**	4.3	(2.6)



Judgements and estimates

The Orora Group Treasury team performs the financial instrument valuations and reports directly to the Chief Financial Officer (CFO) and the Audit, Risk & Compliance Committee. Discussions of valuation processes and results are held with the CFO and Orora Group Treasury at least once every six months, in line with the Group's half-yearly reporting requirements. Significant valuation issues are reported to the Audit, Risk & Compliance Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into three levels as prescribed under accounting standards, with each of these levels indicating the reliability of the inputs used in determining fair value. The levels in the fair value hierarchy are:

Level 1: Financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities). Fair value is from a quoted price, for an identical asset or liability at the end of the reporting period, traded in an active market. The quoted market price used for assets is the last bid price.

Level 2: Financial instruments that are not traded in an active market (for example over-the-counter derivatives). Fair value is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs used in the valuation method are observable.

Level 3: Financial instruments for which no market exists in which the instrument can be traded. Where one or more of the significant inputs in determining fair value for the asset or liability is not based on observable market data (unobservable input), the instrument is included in level 3.

Determining fair value

The specific valuation techniques used to value derivative financial instruments are as follows:

- the fair value of forward exchange contracts and currency options is determined by using the difference between the contract exchange rate and the quoted exchange rate at the reporting date;
- the fair value of interest rate swaps calculated as the present value of the estimated future cash flows – ie the amounts that the Group would receive or pay to terminate the swap at the reporting date, based on observable yield curves;
- the fair value of electricity and aluminium commodity forward contracts is determined by using the difference between the contract commodity price and the quoted price at the reporting date.

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Section 6: Group structure

IN THIS SECTION

This section provides information on those subsidiaries whose results principally affect the financial results of the Group, including details of the divestments and acquisitions that occurred during the period.

Details of the Orora Employee Share Trust are also discussed below.

6.1 Principal subsidiary undertakings and investments

The ultimate parent of the Group is Orora Limited, a company incorporated in Australia. The companies listed below are those whose results, in addition to the parent Company, principally affect the figures shown within the Annual Report:

		Ownership interest	
Controlled entities	Country of incorporation	2020	2019
Specialty Packaging Group Pty Ltd[1]	Australia	–	100%
Orora Packaging Australia Pty Ltd	Australia	**100%**	100%
Orora Packaging New Zealand Ltd	New Zealand	**100%**	100%
Orora Packaging Solutions	United States	**100%**	100%
Landsberg Orora	United States	**100%**	100%
Orora Visual TX LLC	United States	**100%**	100%
Orora Visual LLC	United States	**100%**	100%
Pollock Investments Incorporated	United States	**100%**	100%

(1) The divestment of the Australasian Fibre business consisted of an asset sale and the disposal of a number of wholly owned subsidiaries including Specialty Packaging Group Pty Ltd (refer note 6.2).

6.2 Business divestment

On 30 April 2020, the Group completed the sale of its Australasian Fibre business (Fibre) to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0 million, with net proceeds after tax and costs of approximately $1,550.0 million.

The Fibre business is classified as a discontinued operation, accordingly the financial statements have been presented in the following manner:

- the consolidated income statement presents the Fibre business, and the profit on disposal of this business, as a discontinued operation. As a consequence the financial results of the Fibre business are presented separately within the consolidated income statement. The comparative period has been restated to reflect the current period presentation;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement have been presented on a total Group basis.

Financial information relating to the discontinued operation is set out below.

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Results of discontinued operation

The results of the Fibre business, which have been included in the profit for the year, were as follows:

$ million	2020	2019
External revenue	**1,092.9**	1,371.3
External expenses	**(1,035.3)**	(1,307.7)
Profit from operations	**57.6**	63.6
Income tax expense	**(17.0)**	(18.9)
Profit from operations, net of tax	**40.6**	44.7
Gain on sale of discontinued operation[1]	**164.0**	–
Income tax benefit on gain on sale of discontinued operation	**7.7**	–
Profit from discontinued operations, net of tax[2]	**212.3**	44.7
Total comprehensive income from discontinued operations[2]	**220.0**	44.4
Basic earnings per share	**22.0c**	4.6c
Diluted earnings per share	**21.9c**	4.6c

(1) The net gain on disposal, before tax, of $164.0 million is presented net of transaction costs, exchange fluctuation reserve reclassified on disposal, write-off of Group assets relating to the Fibre business, allowances for post closed completion accounts adjustments and provisions for indemnities.

(2) The profit from discontinued operations, net of tax, and total comprehensive income from discontinued operations is entirely attributable to the owners of Orora Limited.

Cash flows from/(used in) discontinued operations

$ million	2020	2019
Net cash flow (used)/from operating activities	**(87.1)**	101.2
Net cash flows from/(used) in investing activities[1]	**1,589.7**	(100.7)
Net cash flow from in financing activities	**103.3**	3.5
Net cash inflow for the period	**1,605.9**	4.0

(1) The cash inflows from investing activities includes a net inflow of $1,637.0 million from the sale of the Fibre business.

Effect of disposal on the financial position of the Group

The following table sets out the carrying amounts of assets, liabilities and equity disposed of at 30 April 2020:

$ million	April 2020
Property, plant and equipment	**1,145.4**
Right-of-use assets	**226.4**
Intangible assets	**78.7**
Inventories	**245.3**
Trade and other receivables	**243.0**
Other assets	**26.5**
Assets disposed	**1,965.3**
Trade and other payables	**177.2**
Lease liabilities	**245.6**
Provisions	**63.0**
Liabilities disposed	**485.8**
Exchange fluctuation reserve, net of tax	**(8.3)**
Reserve recycled to income statement on disposal	**(8.3)**

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Section 6: Group structure (continued)

6.2 Business divestment (continued)

At 30 June 2020, the accounting for the divestment of the Fibre business has been provisionally determined as the customary post-close completion accounts adjustment process remains in progress. This process may result in adjustments to the value attributable to the profit on sale as reported above.

Included within the sale and purchase agreement is an indemnity with regards to potential environmental contamination. The indemnity relates to certain pre-existing contamination that may exist at the Australasian Fibre sites as at 30 April 2020, where, after this date, the contamination is either a) required to be remediated by a regulatory agency or b) the site is subject to regulatory enforcement action that is directly related to pre-existing contamination.

The Group has recognised a provision for potential future costs that may be incurred in relation to any identified environmental contamination as part of the net profit on sale of $164.0 million. The provision as at 30 June 2020 represents management's best estimate of the potential liability under the indemnity, using all currently available information and considering the scope of the indemnity.

Judgements and estimates

The determination of the outcomes of the post-close completion accounts adjustment processes and future indemnity claims involves significant management judgement. The judgements, estimates and assumptions used in determining the profit on sale as at 30 June 2020 are management's best estimate based on currently available information.

The actual outcomes may differ from the accounting estimates made at 30 June 2020. Any revisions to accounting estimates will be recognised in net profit/loss from discontinued operations in the period in which the estimate is revised.

The Group did not dispose of any controlled entities or businesses during the comparative period.

6.3 Orora Employee Share Trust

The Group holds shares in itself as a result of shares purchased by the Orora Employee Share Trust (the Trust). The Trust was established to manage and administer the Company's responsibilities under the Group's Employee Share Plans (refer note 7.1) through the acquiring, holding and transferring of shares, or rights to shares, in the Company to participating employees. In respect of these transactions, at any point in time the Trust may hold 'allocated' and 'unallocated' shares.

As at 30 June 2020, the Trust held 655,046 treasury shares in the Company (2019: 1,126,545), 168,000 allocated shares in respect of the CEO Grant (2019: 264,040) and 180,600 shares held on trust in respect of vested grants that contain a post-vesting holding lock (2019: nil).

Allocated shares
Allocated shares represent those shares that have been purchased and awarded to employees under the CEO Grant (refer note 7.1) and shares that are held on trust in respect of vested grants that contain a post-vesting holding lock.

Shares granted to an employee under the CEO Grant, and vested shares that contain a post-vesting holding lock, are restricted in that the employee is unable to dispose of the shares for a period of up to five years (or as otherwise determined by the Board). The Trust holds these shares on behalf of the employee until the restriction period is lifted at which time the Trust releases the shares to the employee. Allocated shares are not identified or accounted for as treasury shares.

Where the Orora Employee Share Trust purchases equity instruments in the Company, as a result of managing the Company's responsibilities under the Group's CEO Grant Employee Share Plan award and for those vested shares with a post-vesting holding lock, the consideration paid, including any directly attributable costs is deducted from equity, net of any related income tax effects.

Unallocated shares
Unallocated shares represent those shares that have been purchased by the Trustee on-market to satisfy the potential future vesting of awards granted under the Groups Employee Shares Plans, other than the CEO Grant. As the shares are unallocated they are identified and accounted for as treasury shares (Treasury Shares) refer note 2.4.1.

Accounting policies

Transactions with the Group-sponsored Trust are included in these financial statements. In particular, the Trust's purchases of shares in Orora Limited are debited directly to equity. The shares are held in the Trust until such time as they may be transferred to participants of the various Group share schemes.

In accordance with the Trust Deed, the Trustees have the power to exercise all voting rights in relation to any investment (including shares) held within the Trust.

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6.4 Business acquisitions

The Group did not acquire any controlled entities or businesses during the 12-month period ending 30 June 2020. The following investments were acquired in the comparative period and the accounting for these acquisitions has been completed.

Pollock Investments Incorporated

On 28 November 2018, the Group acquired 100% of the issued share capital of Pollock Investments Incorporated (Pollock), a market leading provider of packaging and facility supplies head quartered in Texas, USA. In addition to six distribution centres located throughout Texas the business has distribution centres in Georgia, North Carolina, New Jersey and California. Pollock predominantly services industrial, retail and facility supplies market segments and also operates a corrugated box manufacturing plant and in-house packaging design service in Dallas, Texas.

From the date of acquisition to 30 June 2020 consideration of $111.9 million (USD80.4 million) has been paid. This includes a deferred consideration USD5.0 million indemnity holdback of which USD3.0 million was paid during the period to 30 June 2020, whilst USD2.0 million was paid in the comparative period.

The fair value of the net identifiable assets acquired was $44.9 million (USD32.9 million). The resulting goodwill of $67.0 million (USD47.8 million) is mainly attributable to the synergies expected to be achieved from integrating the business purchased into the Group's existing North American operations and the skills and talent of the workforce in the newly acquired businesses.

The results of Pollock are included in the North America segment from the date of acquisition.

Bronco Packaging

On 31 August 2018, the Group acquired the assets and operations of Bronco Packaging Corporation, a business which serves corporate accounts in the fresh food and manufacturing industry and provides an 'on-demand' packaging delivery service to its customers which are predominately located in Texas.

From the date of acquisition to 30 June 2020 consideration of USD20.6 million ($28.4 million) has been paid. This includes a deferred consideration payment of USD1.6 million arising as a result of customary completion processes. The fair value of the net identifiable assets acquired was USD1.9 million. The resulting goodwill recognised represents the synergies expected to be achieved from integrating the Bronco business into the Group's existing North American operations.

The results of the business are included in the North America segment from the date of acquisition.

Accounting policies

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets of a business are acquired.

In accordance with the acquisition method the Group measures goodwill, at acquisition date, as the fair value of the consideration transferred less the fair value of the identifiable assets and liabilities acquired. The fair value of the consideration transferred comprises the initial cash paid and an estimate for any future contingent or deferred payments the Group may be liable to pay.

The application of the acquisition method requires certain estimates and assumptions to be made particularly around the determination of fair value of: any contingent or deferred consideration; the acquired intangible assets; property, plant and equipment; and liabilities assumed. Such estimates are based on the information available at the acquisition date and valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions.

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Section 7: Other notes to the Financial Statements

IN THIS SECTION

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001*, including details about the Group's employee reward and recognition programs.

7.1 Share-based compensation

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based incentives. The Orora employee incentive plans have been established to ensure employees are motivated and incentivised to develop and successfully execute against both short and long-term strategies that grow the business and generate shareholder returns. The plans provide an appropriate level and mix of short and long-term incentives to appropriately recognise and reward employees creating a high performance culture and Orora's ability to attract and retain talent. Orora's remuneration strategy is competitive in the relevant markets to support the attraction and retention of talent.

The following information provides details of Orora's employee incentive plans. During the period the Group recognised a share-based payment expense of $4.6 million (2019: $6.0 million). Employee expenses and employee provisions are shown in note 1.5 and 3.9 respectively.

This note should be read in conjunction with the Remuneration Report, as set out in the Directors' Report, which contains detailed information regarding the setting of remuneration for Key Management Personnel.

The following table details the total movement in the CEO Grant, Share Options, Performance Rights or Performance Shares issued by the Group:

			Long Term Incentive Plans				Short Term Incentive Plan	
	CEO Grant		Share Options		Performance Rights and Performance Shares		Deferred Equity[1]	
	No.	$[2]	No.	$[2]	No.	$[2]	No.	$[2]
2020								
Outstanding at beginning of period	**264,040**	**2.96**	**14,431,770**	**0.50**	**5,773,391**	**2.06**	**1,318,936**	**3.05**
Granted during the period	**210,000**	**3.23**	**–**	**–**	**1,839,400**	**2.06**	**293,893**	**2.65**
Exercised during the period	**(306,040)**	**2.99**	**(3,937,062)**	**0.42**	**(1,882,916)**	**1.85**	**(977,671)**	**2.99**
Forfeited during the period	**–**	**–**	**(1,056,500)**	**0.47**	**(839,537)**	**2.14**	**(53,469)**	**3.06**
Outstanding at end of period	**168,000**	**3.23**	**9,438,208**	**0.54**	**4,890,338**	**2.14**	**581,689**	**2.94**
Exercisable at end of period	**–**	**–**	**696,628**	**0.44**	**–**	**–**	**–**	**–**
2019								
Outstanding at beginning of period	385,446	2.65	17,134,808	0.47	7,635,916	1.76	1,822,418	2.87
Granted during the period	80,000	3.09	2,124,500	0.38	1,483,500	1.99	593,157	3.15
Exercised during the period	(171,406)	2.28	(4,405,185)	0.31	(2,819,166)	1.22	(1,009,022)	2.79
Forfeited during the period	(30,000)	3.20	(422,353)	0.54	(526,859)	2.31	(87,617)	3.04
Outstanding at end of period	264,040	2.96	14,431,770	0.50	5,773,391	2.06	1,318,936	3.05
Exercisable at end of period	–	–	384,561	0.23	–	–	–	–

(1) The equity outcomes for the 2020 financial year short-term incentive will be determined and allocated in September 2020 and are therefore not included in the above table.

(2) The above weighted average fair value is determined in accordance with AASB 2 *Share-based Payments* in respect of recognising the share-based payment expense of the award granted.

The exercise price of the CEO Grant, Performance Rights and Performance Shares and Deferred Equity Awards are nil. The exercise price of Share Options outstanding at the end of the year are set out below:

				Number	
Grant date	Vesting Date	Expiry date	Exercise price	2020	2019
19 Feb 2014	30 Sept 2016	30 Sept 2021	1.22	**179,561**	199,561
19 Feb 2014	30 Sept 2018	30 Sept 2023	1.22	**–**	185,000
30 Oct 2015	30 Sept 2019	30 Sept 2024	2.08	**307,567**	4,039,629
20 Oct 2016	29 Aug 2020	29 Aug 2025	2.69	**4,024,580**	4,273,580
20 Oct 2017	30 Aug 2021	30 Aug 2026	2.86	**3,509,000**	3,723,000
22 Oct 2018	31 Aug 2022	31 Aug 2027	3.58	**1,417,500**	2,011,000
Share options outstanding at end of period				**9,438,208**	14,431,770
Weighted average contractual life of options outstanding at end of period				**5.8 years**	6.4 years

Accounting policies

The cost of the share-based compensation provided to employees is measured using the fair value at the date at which the option or right is granted and is recognised as an employee benefit expense in the income statement with a corresponding increase in the share-based payment reserve in equity. The expense is spread over the vesting period during which the employees become unconditionally entitled to the option or right granted. Upon exercise of the option or right, the balance of the share-based payment reserve, relating to the option or right, is transferred to share capital.

At each reporting period the Group revises the estimate of the number of options that are expected to vest based on the non-market vesting conditions. Any impact to the revision of an original estimate is recognised in the income statement with a corresponding adjustment to the share-based payment reserve. The employee expense, recognised each period, reflects the most recent estimate. The fair value of options is measured at grant date taking into account market performance conditions, but excludes the impact of any non-market conditions (eg profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to be exercisable.

The fair value of each option granted is measured on the date of grant using the Black Scholes option pricing model that takes into account the exercise price, the vesting and performance criteria, and where applicable the market condition criteria, term of the option, impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of rights is measured at grant date using a Monte-Carlo valuation model which simulates the date of vesting, the percentage vesting, the share price and total shareholder return. Once the simulated date of vesting is determined a Black-Scholes methodology is utilised to determine the fair value of the rights granted.

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Section 7: Other notes to the Financial Statements (continued)

7.1 Share-based compensation (continued)

A description of the equity plans in place during the year ended 30 June 2020 is described below:

	Retention/Share Payment plan	Long-term incentives		Short-term incentive
	CEO Grant	Share Options	Performance Rights and Performance Shares	Deferred Equity
Overview	The Board endorses certain employees as eligible to receive ordinary shares in part satisfaction of their remuneration for the relevant financial year. The number of shares issued is at the discretion of the Board. The restrictions on these shares do not allow the employee to dispose of the shares within the vesting/restriction period. The shares subject to the CEO Grant carry full dividend entitlements and voting rights.	Under the long-term incentive plan, share options or performance rights over ordinary shares in the Company, or performance shares, may be issued to employees. The exact terms and conditions of each award are determined by the Directors of the Company at the time of grant. The Group has ceased offering share options under the long-term incentive plan. The last share option grant was issued in FY19, with a vesting date of 30 June 2022. Give the employee the right to acquire a share at a future point in time upon meeting specified vesting conditions, described below, and require payment of an exercise price. The share options are granted at no consideration and carry no dividend entitlement or voting rights until they vest and are exercised to ordinary shares on a one-for-one basis.	Give the employee the right to receive a share at a future point in time upon meeting specified vesting conditions, as described below, no exercise price is payable. The rights are granted at no consideration and carry no dividend entitlement or voting rights until they vest and convert to ordinary shares on a one-for-one basis.	Provides an additional short-term incentive opportunity to selected employees, in the form of rights to ordinary shares. The number of rights that are allocated to each eligible employee is based on: • 33.3% of the value of the cash bonus payable under the Short Term Incentive Plan, following the end of the performance period; • the volume weighted average price of Orora Limited ordinary shares for the five trading days up to and including 30 June, being the end of the performance period; and • where cash bonuses are determined in currencies other than Australian dollars, the average foreign exchange rate for the same five-day period.
Vesting conditions	Subject to alignment of performance with Orora's Values as assessed by the Board and the employee remaining in employment of the Group at the vesting date.	Subject to meeting an Earnings per Share (EPS) hurdle, the satisfaction of a Return on Average Funds Employed (RoAFE) gateway test, and the employee remaining in employment of the Group at the vesting date.	For grants issued FY20 onwards, 50% are subject to meeting a relative Total Shareholder Return (TSR) and the satisfaction of an absolute TSR gateway test, and 50% are subject to meeting an EPS hurdle and the satisfaction of a RoAFE gateway test. For grants issued prior to FY20, two-thirds are subject to meeting a relative Total Shareholder Return test, the remaining one-third is subject to meeting an EPS hurdle and the satisfaction of a RoAFE gateway test. Vesting of the rights is subject to the employee remaining in employment of the Group at vesting date.	Remain in employment of the Group at vesting date.
Vesting period	Up to 5 years	4 years	4 years	2 years
Vested awards	Restriction lifted upon vesting.	Vested share options will remain exercisable until the expiry date. On expiry, any vested but unexercised share options will lapse.	Shares are issued upon vesting.	Shares issued upon vesting.
Unvested awards	Unvested awards are forfeited if the employee voluntarily ceases employment or is dismissed for cause or poor performance.			

The following weighted average assumptions were used in determining the fair value of options and rights granted during the period:

	2020	2019
Expected dividend yield (%)	**4.10**	3.70
Expected price volatility of the Company's shares (%)	**23.00**	22.00
Share price at grant date ($)	**2.98**	3.30
Exercise price ($) – options only[1]	**–**	3.58
Risk-free interest rate – options (%)[1]	**–**	2.61
Expected life of options (years)[1]	**–**	4.00
Risk-free interest rate – rights (%)	**0.62**	2.12
Expected life of rights (years)	**3.31**	3.58

(1) No options were granted during the period.

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated changes. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected price volatility, of the Company's shares, reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

7.2 Auditors' remuneration

$ thousand	2020	2019
Auditors of the Company – PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	**1,027.0**	907.9
Other assurance services	**30.5**	29.0
Other services		
Taxation services and advice	**232.5**	557.3
Fibre divestment advisory services[1]	**796.8**	–
Total PwC Australia	**2,086.8**	1,494.2
Network firms of PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	**5.0**	10.0
Other services		
Taxation services and advice	**61.0**	97.2
Fibre divestment advisory services[1]	**25.0**	–
Total Network firms of PwC Australia	**91.0**	107.2
Total Auditors' remuneration	**2,177.8**	1,601.4

(1) Taxation and other related services provided in respect of the sale of the Australasian Fibre business.

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Section 7: Other notes to the Financial Statements (continued)

7.3 Commitments and contingent liabilities

Capital expenditure commitments

At 30 June 2020, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of $8.5 million (2019: $25.6 million).

Other expenditure commitments

At 30 June 2020, the Group had other expenditure commitments of $38.8 million (2019: $79.1 million) in respect of other supplies and services yet to be provided.

Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Guarantees
The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. In addition, Orora Limited has guaranteed senior notes issued by Landsberg Orora in the US private placement market, the notes have maturities between 2023 and 2025 (see note 2.3). It is not expected that these guarantees will be called on.

Asset restoration and decommissioning
Asset decommissioning
The decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies. At the date of this Report, decommissioning work continues on site with the estimated costs to complete the decommissioning contingent on final remediation requirements which require significant judgement in respect of determining a reliable estimate. Refer to note 1.2 and 3.9 for further information pertaining to the decommissioning process.

Environmental indemnity
The Australasian Fibre sale agreement includes an indemnity with regards to potential pre-existing environmental contamination that may exist at the Australasian Fibre sites at the date of sale, 30 April 2020. The indemnity is in relation to the future requirement to either: a) remediate a site by a regulatory agency; or b) the site is subject to regulatory enforcement action. Refer to note 3.9 and 6.2 for further information.

Other
Certain entities in the Group are party to various legal actions and exposures that have arisen in the ordinary course of business. The actions are being defended and the Directors are of the opinion that provisions are not required as no material losses are expected to arise.

Judgements and estimates

Legal proceedings
The outcome of currently pending and future legal, judicial, regulatory and other proceedings of a litigious nature cannot be predicted with certainty. Legal proceedings can raise difficult and complex issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each proceeding is brought and differences in applicable law.

An adverse decision in a legal proceeding could result in additional costs that are not covered, either wholly or partially, under insurance policies, which could significantly impact the business and the results of operations of the Group.

Each legal proceeding is evaluated on a case-by-case basis considering all available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recognised in the amount of the present value of the expected cash outflows, if these are deemed to be reliably measurable.

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7.4 Orora Limited

Orora Limited financial information

The financial information for the parent entity Orora Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries
In the Company's financial statements, investments in subsidiaries are carried at cost less, where applicable, accumulated impairment losses.

Nature of tax sharing agreement
Upon tax consolidation, the entities within the tax-consolidated group entered into a tax sharing agreement. The terms of this agreement specify the methods of allocating any tax liability in the event of default by the Company on its group payment obligations and the treatment where a subsidiary member exits the group. The tax liability otherwise remains with the Company for tax purposes.

Orora Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Orora Limited.

The Company, and the members of the tax-consolidated group, recognise their own current tax expense/income and deferred tax assets and liabilities arising from temporary differences using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

In addition to its current and deferred tax balances, the Company also recognises the current tax liabilities (or assets), and the deferred tax assets arising from unused tax losses and unused tax credits assumed from members of the tax-consolidated group, as part of the tax-consolidation arrangement. Assets or liabilities arising as part of the tax consolidation arrangement are recognised as current amounts receivable or payable from the other entities within the tax-consolidated group.

Summarised income statement and comprehensive income

	Orora Limited	
$ million	**2020**	2019
Continuing Operations		
Profit before related income tax expense	**474.8**	121.8
Income tax expense	**(28.9)**	(8.5)
Profit for the financial period from continuing operations	**445.9**	113.3
Discontinued Operations		
Profit from discontinued operations, net of tax	**8.8**	30.8
Profit for the financial period	**454.7**	144.1
Comprehensive income for the financial period		
Continuing operations	**441.2**	112.3
Discontinuing operations	**9.3**	28.6
Total comprehensive income	**450.5**	140.9

On 30 April 2020, the Group completed the sale of its Australasian Fire business, refer note 6.2. Accordingly the financial results of this business are presented separately as a discontinued operation and the comparative period has been restated to reflect the current period presentation.

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Section 7: Other notes to the Financial Statements (continued)

7.4 Orora Limited (continued)

Summarised balance sheet

	Orora Limited	
$ million	**2020**	2019
Total current assets	**237.0**	526.7
Total non-current assets	**1,246.5**	2,059.1
Total assets	**1,483.5**	2,585.8
Total current liabilities	**472.9**	605.3
Total non-current liabilities	**57.6**	691.0
Total liabilities	**530.5**	1,296.3
Net assets	**953.0**	1,289.5
Equity		
Contributed equity	**333.6**	484.1
Reserves:		
Share-based payment reserve	**11.1**	15.5
Cash flow hedge reserve	**(3.7)**	0.5
Retained profits[1]	**612.0**	789.4
Total equity	**953.0**	1,289.5

(1) In the current period the opening position for retained profits was reduced by $25.5 million as a result impact of the adoption of AASB 16 *Leases*. In the comparative period the opening position for retained profits was reduced by $6.9 million as a result of the impact of the adoption of AASB 15 *Revenue from Contracts with Customers.* Refer note 7.8 for more information.

Contingent liabilities of Orora Limited

Deed of Cross Guarantee

Pursuant to the terms of the ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, which relieved certain wholly-owned subsidiaries from specific accounting and financial reporting requirements, Orora Limited and all of the Company's Australian wholly-owned subsidiaries entered into an approved deed for the cross guarantee of liabilities. No liabilities subject to the Deed of Cross Guarantee at 30 June 2020 are expected to arise to Orora Limited and subsidiaries, as all such subsidiaries were financially sound and solvent at that date.

Details of the deed and the consolidated financial position of the Company and the subsidiaries party to the Deed are set out in note 7.5.

Other guarantees

Orora Limited has guaranteed senior notes issued by Landsberg Orora in the US private placement market, the notes have maturities between 2023 and 2025 (see note 2.3). It is not expected that these guarantees will be called on.

7.5 Deed of Cross Guarantee

The Company, Orora Limited, and the subsidiaries listed below are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others:

Orora Packaging Australia Pty Ltd	PP New Pty Ltd[1]
Pak Pacific Corporation Pty Ltd	AP Chase Pty Ltd[1]
Fibre Containers (Queensland) Pty Ltd	Lynyork Pty Ltd
Speciality Packaging Group Pty Ltd[1]	Chapview Pty Ltd
ACN 002693843 Box Pty Ltd	AGAL Holdings Pty Ltd
ACN 089523919 CCC Pty Ltd	Rota Die Pty Ltd
Rota Die International Pty Ltd[1]	Envirocrates Pty Ltd
Orora Closure Systems Pty Ltd	

(1) These subsidiaries were disposed of on 30 April 2020 as part of the Australasian Fibre business divestment, refer note 6.2.

Under the terms of ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, those wholly-owned subsidiaries that have entered into the Deed are granted relief from the *Corporations Act 2001* requirement to prepare and lodge audited Financial Reports and Directors' Reports.

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Financial statements for the Orora Limited Deed of Cross Guarantee

The consolidated income statement, statement of comprehensive income and statement of financial position of the entities party to the Deed for the year ended and as at 30 June, are set out below.

Consolidated income statement, statement of comprehensive income and retained earnings

$ million	2020	2019[1]
Continuing Operations		
Sales revenue	**683.6**	684.4
Profit from operations	**338.6**	92.6
Net finance costs	**(22.4)**	(15.3)
Profit before related income tax expense	**316.2**	77.3
Income tax expense	**(35.1)**	(12.4)
Profit from continuing operations	**281.1**	64.9
Discontinued Operations		
(Loss)/profit from discontinued operations, net of tax[1]	**(5.0)**	38.0
Profit for the financial period	**276.1**	102.9
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss:		
Cash flow hedge reserve		
Unrealised (losses)/gains on cash flow hedges, net of tax	**(3.4)**	0.1
Realised gains transferred to profit or loss, net of tax	**(0.6)**	(3.2)
Realised gains transferred to non-financial assets, net of tax	**(0.1)**	(0.1)
Other comprehensive loss, net of tax	**(4.1)**	(3.2)
Total comprehensive income for the financial period	**272.0**	99.7
Total comprehensive income/(loss) for the financial period attributable to:		
Continuing operations	**276.4**	63.9
Discontinuing operations	**(4.4)**	35.8
Total comprehensive income for the financial period	**272.0**	99.7
Retained profits at beginning of financial period	**1,042.4**	1,103.1
Impact of change in accounting policy (refer 7.8)	**(27.5)**	(6.9)
Restated retained profits at beginning of financial period	**1,014.9**	1,096.2
Profit for the financial period	**276.1**	102.9
Dividends recognised during the financial period	**(606.6)**	(156.7)
Retained profits at end of the financial period	**684.4**	1,042.4

(1) On 30 April 2020, the Group completed the sale of its Australasian Fire business, refer note 6.2. Accordingly the financial results of this business are presented separately as a discontinued operation and the comparative period has been restated to reflect the current period presentation.

Section 7: Other notes to the Financial Statements (continued)

7.5 Deed of Cross Guarantee (continued)

Consolidated Balance Sheet

$ million	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	**19.4**	26.3
Trade and other receivables	**45.0**	247.1
Inventories	**174.3**	350.0
Derivatives	**1.0**	4.0
Other current assets	**11.8**	26.2
Current tax receivable	**32.6**	–
Total current assets	**284.1**	653.6
NON-CURRENT ASSETS		
Investments in controlled entities	**567.7**	687.0
Property, plant and equipment	**469.9**	1,446.1
Right-of-use assets	**20.3**	–
Deferred tax assets	**16.8**	–
Goodwill and intangible assets	**20.0**	100.9
Derivatives	**0.9**	4.3
Other non-current assets	**46.1**	19.2
Total non-current assets	**1,141.7**	2,257.5
Total assets	**1,425.8**	2,911.1
CURRENT LIABILITIES		
Trade and other payables	**212.4**	462.2
Borrowings	**4.2**	47.3
Lease liabilities	**5.6**	–
Derivatives	**7.0**	3.0
Current tax liabilities	**–**	9.0
Provisions	**71.2**	115.2
Total current liabilities	**300.4**	636.7
NON-CURRENT LIABILITIES		
Other payables	**–**	3.4
Borrowings	**19.0**	604.2
Lease liabilities	**20.2**	–
Derivatives	**1.9**	2.6
Deferred tax liabilities	**–**	31.5
Provisions	**19.4**	50.7
Total non-current liabilities	**60.5**	692.4
Total liabilities	**360.9**	1,329.1
NET ASSETS	**1,064.9**	1,582.0
EQUITY		
Contributed equity	**335.2**	488.0
Treasury shares	**(1.6)**	(3.9)
Reserves	**46.9**	55.5
Retained earnings	**684.4**	1,042.4
TOTAL EQUITY	**1,064.9**	1,582.0

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7.6 Related party transactions

The related parties identified by the Directors include investments and key management personnel.

Details of investment in subsidiaries are disclosed in note 6.1 and details of the Orora Employee Share Trust are provided in note 6.3. The Group does not hold any interests in associates or joint ventures.

7.6.1 Parent entity

The ultimate parent entity within the Orora Group is Orora Limited, which is domiciled and incorporated in Australia. Transactions with entities in the wholly-owned Orora Group are made on normal commercial terms and conditions and during the year included:

- purchases and sales of goods and services;
- advancement and repayment of loans;
- interest expense paid by Orora Limited for money borrowed;
- transfer of tax related balances for tax consolidation purposes;
- provision of transactional banking facilities on behalf of subsidiaries;
- provision of payroll, superannuation, share-based remuneration and managerial assistance.

7.6.2 Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 1.5.

7.7 Key Management Personnel

Key Management Personnel (KMP) consists of Orora Limited Executive and Non-Executive Directors and the Chief Financial Officer. Key management personnel compensation is as follows:

$ thousand	2020	2019
Short-term employee benefits	**4,613**	3,623
Long-term employee benefits	**127**	54
Post employment benefits	**170**	159
Payments on retirement	**520**	–
Share-based payment expense	**1,340**	1,835
	6,770	5,671

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report. Apart from the information disclosed in this note, no Director has entered into a material contract with the Group this financial year and there were no material contracts involving Directors' interests existing at year end (2019: nil).

At 30 June 2020, no individual KMP or related party holds a loan with the Group (2019: nil).

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Section 7: Other notes to the Financial Statements (continued)

7.8 New and amended accounting standards and interpretations

7.8.1 Adopted from 1 July 2019

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2019 to the Group have been adopted, including AASB 16 *Leases*. The adoption of AASB 16 has resulted in a change to the Group's accounting policies, more detail is provided below and in note 3.6.

AASB 16 Leases

This note explains the impact of the adoption of AASB 16 upon the Group's financial statements.

AASB 16 replaces the dual operating/finance lease accounting model for leases under AASB 117 *Leases* and the guidance contained in Interpretation 4 *Determining whether an Arrangement contains a Lease*. The new standard introduces a single, on-balance sheet accounting model, similar to the finance lease accounting under AASB 117. Under the new standard the Group recognises a 'right-of-use' asset and a lease liability for all identified leases, unless the lease term is 12 months or less or the underlying asset has a low value. The Group has had to change its accounting policies as a result of adopting AASB 16. Refer to note 3.6 for the Group's accounting policies on lease accounting.

The new lease standard impacts leases held by the Group that were classified under AASB 117 as operating leases, these are represented mainly by leases over properties, equipment and vehicles.

Under AASB 16 the operating lease expense recognised in the income statement, in accordance with AASB 117, is replaced with a depreciation charge in respect of the right-of-use assets recognised and an interest charge on the recognised lease liability. Short-term leasing costs will continue to be recognised in the income statement. In addition, under AASB 16 lease payments are allocated between principal and finance costs. The principal component of the lease payment is classified as a financing cash flow rather than the operating cash flow presentation under AASB 117.

Impact on the adoption of AASB 16
The Group has elected to use the modified retrospective approach with respect to the adoption of AASB 16, as permitted under the specific transition provisions within the standard. Under the modified retrospective approach the cumulative effect of adoption of AASB 16 is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. There is no restatement of comparative information.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months at 1 July 2019 as short-term leases;
- excluding initial direct costs form the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to the new lease accounting standard the Group has applied the practical expedient to grandfather the definition of a lease. This means that on transition the Group has retained the lease classifications of existing contracts under AASB 117 and Interpretation 4 and has not reassessed whether existing contracts are or contain a lease.

Adjustments recognised in the statement of financial position on 1 July 2019
The impact upon the financial position of the Group of transition to AASB 16 is summarised as follows:

$ million	1 July 2019
Right-of-use asset	
Property	**453.4**
Plant and Equipment	**34.7**
Deferred tax asset	**29.6**
Total assets	**517.7**
Onerous lease provision	**0.8**
Other payables	**7.0**
Lease liabilities	**(595.3)**
Total liabilities	**(587.5)**
Retained earnings	**69.8**

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Measurement of lease liabilities
On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. The liabilities were measured at the present value of the remaining lease payments, discounted, the weighted average rate applied was 3.92%.

$ million	1 July 2019
Operating lease commitments as at 30 June 2019	**491.3**
Discounted using the incremental borrowing rate at 1 July 2019	**(37.9)**
Less short-term or low-value leases not recognised as a liability	**(8.9)**
Add adjustments as a result of different treatment of extension options and rental increases[1]	**139.7**
Other	**11.1**
Lease liabilities recognised at 1 July 2019	**595.3**
Of which are:	
Current lease liabilities	**44.9**
Non-current lease liabilities	**550.4**
	595.3

(1) The operating lease commitments recognised by the Group as at 30 June 2019 of $491.3 million represented the minimum future lease payments payable under the Group's lease arrangements, in most cases this represented the non-cancellable period of the lease. In addition to including the non-cancellable period, AASB 16 requires option periods to extend to also be included in the computation of the lease liability, if it is reasonably certain that the Group will exercise that option.

Measurement of right-of-use assets
The Group has elected to measure the right-of-use asset for certain property leases on a retrospective basis, as if the new lease standard has always been applied, whilst the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. All other right-of-use assets were measured at the amount of the lease liability on adoption. Refer to note 3.6 for further details of the amounts recognised at 30 June 2020 in respect of right-of-use assets.

Amounts recognised in the consolidated income statement for the twelve months to 30 June 2020

$ million	Continuing	Discontinuing[1]	Total
Depreciation charge of right-of-use assets			
Property	38.7	7.5	**46.2**
Plant and Equipment	7.7	1.1	**8.8**
	46.4	8.6	**55.0**
Interest expense (included in finance expenses)	13.4	7.2	**20.6**
Expenses relating to short-term or low-value assets	17.0	4.6	**21.6**

(1) In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, depreciation and amortisation of non-current assets ceases from the date a disposal group is classified as held for sale. This includes depreciation of right-of-use assets recognised in accordance with AASB 16. Refer note 6.2 for further information on the discontinued operations.

During the twelve months to 30 June 2020 lease payments of $100.3 million were paid by the Group in respect of leases recognised in accordance with AASB 16, of which $65.9 million is attributable to continuing operations and $34.4 million to discontinued operations. These payments are not recognised in the income statement but reduce the value of the lease liability recognised on balance sheet.

Upon adoption of AASB 16, the lease payments of $100.3 million previously recognised in the Group's earnings before significant items, interest, tax, depreciation and amortisation, is now replaced with a depreciation charge of $55.0 million and an interest expense of $20.6 million. The following table illustrates the impact on current period results as a result of the accounting change.

$ million	Australasia	North America	Continuing	Discontinuing	Total
Increase in earnings before interest, tax, depreciation and amortisation	6.1	59.8	**65.9**	**34.4**	**100.3**
Increase in earnings before interest and tax	1.1	18.4	**19.5**	**25.8**	**45.3**
Increase in net profit before tax	0.2	5.9	**6.1**	**18.6**	**24.7**
Increase in net profit after tax	0.1	4.2	**4.3**	**13.0**	**17.3**

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Section 7: Other notes to the Financial Statements (continued)

7.8 New and amended accounting standards and interpretations (continued)

7.8.2 Adopted from 1 July 2018

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations. Under AASB 15 revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group adopted AASB 15 using the cumulative effective method in respect of initially applying this standard at the date of application of 1 July 2018. The impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018 was $7.3 million. In assessing the impact of AASB 15 on contract incentives paid to customers and, with specific reference to individual customer contracts, it was identified that in a limited number of instances, previous upfront incentives did not represent modifications of previous contracts and therefore should not be carried forward and allocated to the transaction price under the terms of the current contract.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams. As allowed by AASB 15, the Group did not provide information about remaining performance obligations at 30 June 2019 given its contracts with customers have an expected duration of one year or less.

Refer note 7.8.1 of the Group's Annual Report for 30 June 2019 for further information on the adoption of AASB 15.

7.8.3 Issued but not yet effective

There are a number of new and amending accounting standards issued by the AASB that are effective for annual reporting periods beginning after 1 January 2020, with early adoption permitted. These standards have not been early adopted and have therefore not been applied in preparing this financial report. The following amending standards are not expected to have a significant impact upon the Group's consolidated financial statements:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Orora Limited (the Company):

(a) the financial statements and notes, and the Remuneration Report within the Directors' Report, are in accordance with the *Corporations Act 2001* including:

   (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Orora Group's financial position as at 30 June 2020 and its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. Within the notes to the financial statements it is confirmed that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. At the date of this declaration, there are reasonable grounds to believe that the Company and the consolidated entities identified in note 7.5 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to *ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785*.

4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.



A R SINDEL
Chairman

17 September 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORORA LIMITED

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Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Orora Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 30 June 2020
- the income statement for the year then ended
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

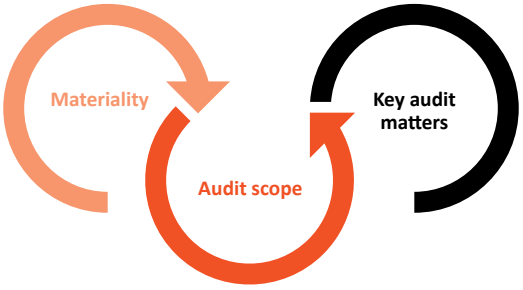
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Orora Limited is an Australian company listed on the Australian Stock Exchange. Orora manufactures and distributes a wide range of tailored packaging solutions. The Group also offers end-to-end packaging solutions, including global product sourcing, distribution, design, printing and warehousing optimisation.



Materiality

- For the purpose of our audit we used overall Group materiality of $11.2 million, which represents approximately 5% of the Group's profit from operations (being profit before net finance costs and income tax expense), excluding significant items.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit from operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We also adjusted for significant items as they are unusual or infrequently occurring items impacting profit and loss.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Orora operates across two operating segments, being Orora Australasia and Orora North America, with its head office functions based in Melbourne, Australia.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORORA LIMITED



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Accounting for and presentation of the Australasian Fibre business as discontinued operations (Refer to Note 1.2 Significant items and Note 6.2 Business divestment) During the financial year, the Group entered into and completed an agreement to sell its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co., Limited. The carrying value of the assets disposed was $1,965.3 million and the carrying value of the liabilities disposed was $485.8 million. A net gain on disposal, after tax, of $171.7 million has been recognised. We considered the accounting for and presentation of the Australasian Fibre business as discontinued operations to be a key audit matter due to the financial size of the net assets sold, and the judgement involved in calculating the gain after tax recognised.	We read the associated sale agreements to develop an understanding of the terms of the transaction and performed the following procedures, amongst others: • Evaluated if the profit and loss information disclosed as discontinued operations was accurate, by testing on a sample basis transactions recognised in the income statement, and related only to the Australasian Fibre business that was sold. • Together with PwC tax experts, tested the accuracy of the tax expense recorded related to this transaction. • Evaluated the calculation of the total gain recognised on the sale including: – agreeing the purchase price to the sale agreement – agreeing proceeds on sale to the Group's bank statement – agreeing the value of the assets and liabilities derecognised as a result of the sale to the balance sheet for the transaction – comparing the key judgements applied by the Group in calculating the provisional accounting for the business divestment to the sale agreements, where applicable, and latest post-close completion accounts negotiation documents – agreeing the transaction and transition costs to supporting documentation on a sample basis. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Impairment assessment of non-current assets including property, plant and equipment, intangibles, and goodwill (Refer to Note 3.5 Property, plant and equipment, Note 3.7 Intangible assets, and Note 3.8 Impairment of non-financial assets) At 30 June 2020, Orora had property, plant and equipment assets of $671.7 million and goodwill and intangible assets of $435.8 million. These assets are tested for impairment using a discounted cash flow model in accordance with Note 3.8, whereby goodwill is tested at least annually, and property, plant and equipment is tested where there is an indication that an asset may be impaired. Recoverable amounts are estimated for an individual asset, or if it is not possible to estimate for an individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the smallest identifiable group of assets that generate cash inflows that are largely independent from the cash flows of other assets of group of assets. We considered this to be a key audit matter because of the level of judgement involved by the Group in determining the assumptions used to perform impairment testing. In undertaking impairment testing, the following assumptions were judgemental: • cash flow projections for five years using the Group's latest internal forecasts, with cash flows beyond the five-year period extrapolated using a long term growth rate • discount rates used to discount the estimated cash flows • the long term growth rates to be applied to the forecast cash flows in the terminal year which are determined with regard to long term performance of each CGU in their respective markets.	We evaluated Orora's cash flow forecasts used to assess the carrying value of cash generating units. This included updating our understanding of how the budgets and forecasts were compiled and comparing those used in the cash flow forecasts to the latest Board approved FY21 budget and FY22 – FY24 strategic plan. We also tested, on a sample basis, the calculations in the cash flow forecast model for mathematical accuracy. We assessed whether the division of the Group's property, plant and equipment, goodwill and intangible assets into cash generating units (CGUs), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations and internal Group reporting. We assessed whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU and a reasonable allocation of corporate assets and overheads. We compared actual historical results to budget to assess the level of the Group's accuracy in forecasting cash flows. With the assistance of PwC valuation experts, we evaluated the appropriateness of Orora's discount rate assumptions used in the cash flow forecasts. We evaluated the long term growth rates based on relevant external market factors. We compared recoverable amount calculations to the Group's market capitalisation and performed sensitivity calculations over a selection of the forecast cash flows. We also considered the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Asset Impairment and Restructuring Activities (Refer to Note 1.2 Significant items and Note 3.8 Impairment of non-financial assets) The Group recognised a significant item expense of $137.2 million during the year. This comprised an impairment charge of $106.2 million in the Orora Visual CGU in relation to goodwill and other assets ("recoverable amount impairments") and restructuring and asset impairment costs of $31.0 million. In assessing the recoverable amount impairments, judgemental assumptions outlined in the above Key Audit Matter were applied to the Orora Visual CGU. Many of the end market segments serviced by Orora Visual were significantly impacted by COVID-19 which has contributed to a lower estimation of future cash flows attributable to this business resulting in the impairment charge. Restructuring and asset impairment costs primarily relate to the closure of the Los Angeles site in Orora Visual, and include impairments of property, plant and equipment and provisions for redundancy, restructuring and relocation costs. The remainder of the restructuring and asset impairment charge relates to the write off of investments no longer considered recoverable and restructuring charges incurred to improve business performance. We considered this to be a key audit matter because of the financial significance of the expenses and the judgement and complexity involved in calculating the impairment and restructuring charges recognised in the financial year.	In addition to the procedures outlined in the above Key Audit Matter, we performed the following procedures amongst others to assess the impairment charge for the Orora Visual CGU: • we compared the key assumptions used in the cash flow forecasts to historical results, economic and industry forecasts • tested the mathematical accuracy of the impairment model's calculations • we assessed the appropriateness of recognising the impairment charge in the current year • we considered the current year performance, and in particular, the performance over the period impacted by the COVID-19 pandemic, when considering the ability of the Group to achieve short term forecasts. For the remaining restructuring and asset impairment activities, amongst others, we: • considered the recognition criteria for restructuring provisions in light of the requirements of Australian Accounting Standards • read selected supporting documentation, including communications with the impacted workforce and external quotes for asset relocations • considered the recoverability of investments previously recognised in the balance sheet, and the accuracy of the impairment in the current year. We also considered the adequacy of disclosures made in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORORA LIMITED



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 54 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Orora Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



ANTON LINSCHOTEN
Partner

Melbourne
17 September 2020

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STATEMENT OF SHAREHOLDINGS

Statement pursuant to Australian Securities Exchange official list requirements.

Top 20 shareholders as at 10 August 2020

Rank	Name	Shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	352,625,900	36.53
2	J P Morgan Nominees Australia Pty Limited	158,849,407	16.45
3	Citicorp Nominees Pty Limited	103,001,061	10.67
4	National Nominees Limited	33,620,186	3.48
5	BNP Paribas Noms Pty Ltd	24,847,450	2.57
6	BNP Paribas Nominees Pty Ltd	15,851,777	1.64
7	HSBC Custody Nominees (Australia) Limited	10,334,279	1.07
8	Citicorp Nominees Pty Limited	4,532,687	0.47
9	Pacific Custodians Pty Limited	4,159,966	0.43
10	HSBC Custody Nominees (Australia) Limited – A/C 2	3,296,824	0.34
11	Netwealth Investments Limited	3,244,110	0.34
12	AMP Life Limited	1,941,750	0.20
13	HSBC Custody Nominees (Australia) Limited-Gsco Eca	1,618,981	0.17
14	BKI Investment Company Limited	1,600,000	0.17
15	Invia Custodian Pty Limited	1,410,176	0.15
16	HSBC Custody Nominees (Australia) Limited	1,348,217	0.14
17	The Manly Hotels Pty Ltd	1,258,507	0.13
18	Australian Executor Trustees Limited	1,223,575	0.13
19	Navigator Australia Limited	1,008,222	0.10
20	Pacific Custodians Pty Limited	1,003,646	0.10
Total		**726,776,721**	**75.29**

Substantial shareholders as at 10 August 2020

Holder	Last Notice of Substantial Shareholding	No. of shares
Challenger Limited	29 May 2020	57,533,194(1)
Greencape Capital Pty Ltd	8 July 2020	58,754,499
Perpetual Limited	3 August 2020	102,090,467
Sumitomo Mitsui Trust Holdings, Inc.	2 June 2020	62,730,788(1)
The Vanguard Group, Inc.	18 December 2018	48,284,772(1)

(1) Calculated based on number of shareholding reported in the latest notice to ASX, on a basis of each five shares to be consolidated to four shares, fractions rounded up to the next whole number.

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STATEMENT OF SHAREHOLDINGS

Distribution of shareholdings

Fully paid ordinary shares as at 10 August 2020

Range	No. of holders	No. of shares	% of issued capital
100,001 and Over	129	751,915,358	77.89
10,001 to 100,000	4,858	101,705,109	10.54
5,001 to 10,000	6,646	46,754,198	4.84
1,001 to 5,000	22,949	56,821,997	5.89
1 to 1,000	16,408	8,166,194	0.84
Total	**50,990**	**965,362,856**	**100.00**
Unmarketable Parcels	3,145	319,863	0.03

Voting rights

Votes of shareholders are governed by Rules 45 to 50 of the Company's Constitution. In broad summary, but without prejudice to the provisions of these rules, on a show of hands every shareholder present in person shall have one vote and upon a poll every shareholder present in person, or by proxy or attorney, shall have one vote for every fully paid share held.

Unquoted equity securities – Issued pursuant to various Orora Limited Employee Incentive Plans as at 10 August 2020

Unquoted equity securities	No. of employees participating	No. of securities
Options over ordinary shares – exercise price $1.22	1	179,561
Options over ordinary shares – exercise price $2.08	2	307,567
Options over ordinary shares – exercise price $2.69	7	4,024,580
Options over ordinary shares – exercise price $2.86	7	3,509,000
Options over ordinary shares – exercise price $3.58	6	1,417,500
Rights	46	5,472,027

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FIVE YEAR HISTORICAL FINANCIAL INFORMATION

Results shown for all operations before significant items in $ million (except where indicated)

For the years ended 30 June	2020[1]	2019	2018	2017	2016
Orora Consolidated Results					
Net sales	**4,659.1**	4,761.5	4,248.0	4,039.1	3,849.8
Operating profit before interest and tax pre significant items	**289.2**	335.2	323.4	302.3	272.1
Operating profit before tax pre significant items	**231.4**	295.8	288.9	264.7	231.0
Net operating profit pre significant items	**168.3**	217.0	214.1	186.2	162.7
Net operating profit after significant items	**239.9**	161.2	212.2	171.1	168.6
Basic earnings per share (cents) pre significant items	**17.4**	18.0	17.8	15.6	13.6
Basic earnings per share (cents) after significant items	**24.9**	13.4	17.7	14.3	14.1
Dividend and distribution	**606.6**[2]	156.7	144.2	119.6	101.7
Dividend per ordinary share (cents)	**49.3**[2]	13.0	12.5	11.0	9.5
Dividend franking (% p.a)	**30%/50%**[3]	30%[4]	30%	30%	30%
Dividend cover (times)	**4.9**	12.4	17.0	15.6	17.7
Financial Ratios					
Net tangible asset backing per share ($)	**0.6**[5]	0.85	0.94	0.91	0.93
Net PBITDA interest cover pre significant items (times)	**7.6**	11.9	12.9	11.1	9.2
Gearing (net debt/net debt and shareholders' equity) (%)	**22%**	29%	29%	30%	30%
Return on average funds employed (%)[6]	**14.2%**	13.0%	14.0%	13.6%	12.7%
Financial Statistics					
Income from dividends and interest	**0.6**	0.4	0.3	0.2	0.5
Depreciation and amortisation provided during the year	**149.4**	132.9	121.9	116.1	107.5
Net finance costs	**57.8**	39.4	34.5	37.6	41.1
Cash flow from operations	**18.9**	297.9	329.0	351.2	305.0
Capital expenditure and acquisitions	**175.5**	334.3	204.3	292.0	230.3
Balance Sheet Data as at 30 June					
Current assets	**1,055.6**	1,446.2	1,318.1	1,170.1	1,082.7
Non-current assets	**1,444.4**	2,472.0	2,299.0	2,193.1	2,047.2
Total assets	**2,500.0**	3,918.2	3,617.1	3,363.2	3,129.9
Current liabilities	**817.1**	1,160.6	1,098.7	985.4	833.4
Non-current liabilities	**650.9**	1,113.1	887.9	831.0	798.9
Total liabilities	**1,468.0**	2,273.7	1,986.6	1,816.4	1,632.3
Net assets	**1,032.0**	1,644.5	1,630.5	1,546.8	1,497.6
Shareholders' equity					
Share capital	**333.6**	484.1	479.9	472.3	481.8
Reserves	**139.2**	164.7	152.1	144.0	136.8
Retained profits	**559.2**	995.7	998.5	930.5	879.0
Total shareholders' equity	**1,032.0**	1,644.5	1,630.5	1,546.8	1,497.6
Other data as at 30 June:					
Fully paid shares (000's)	**965,363**	1,206,685	1,206,685	1,206,685	1,206,685
Orora share price					
– year's high ($)	**3.45**	3.69	3.60	3.16	2.78
– year's low ($)	**2.54**	2.89	2.73	2.66	1.35
– close ($)	**2.54**	3.24	3.57	2.86	2.76
Market capitalisation	**2,452.0**	3,909.7	4,307.9	3,451.1	3,330.5
Employee numbers	**3,776**	7,221	7,014	7,038	6,394
Number of shareholders	**52,694**	55,087	54,164	54,002	47,542

(1) FY20 has been presented on a total operations basis and therefore includes the financial results of the Australasian Fibre business up to the date of sale, 30 April 2020.

(2) A Special Dividend of 37.3 cents, 50% franked, was paid on 29 June 2020 (refer note 2.2).

(3) The FY20 final dividend was unfranked, FY20 special dividend was 50% franked, FY20 interim dividend was 30% franked.

(4) The FY19 final dividend was 30% franked, FY19 interim dividend was 50% franked.

(5) The net tangible asset backing per ordinary share is inclusive of right-of-use assets and liabilities. This measure would reduce to $0.38 if right-of-use assets were excluded and right-of-use liabilities were included in the calculation.

(6) Return on average funds employed is calculated as EBIT divided by average funds employed.

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SHAREHOLDER INFORMATION

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Shareholder enquiries

Shareholders seeking information about their shareholding or dividends should contact Orora's Share Registry, Link Market Services Limited (Link). Contact details can be found on the back cover of this report. For security and privacy reasons, before contacting the Share Registry, shareholders should have their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) available.

Shareholders can also access a wide variety of holding information via Link's website: www.linkmarketservices.com.au and make changes either online or by downloading a form.

These changes include:

- choosing the preferred method of receiving the Annual Report, Notice of Meeting and payment statements
- checking holding balances
- updating address details
- providing an email address
- updating bank details
- electing to participate in the DRP.

Stock Exchange Listing

Orora Limited shares are listed on the Australian Securities Exchange (ASX) and are traded under the code ORA.

Annual General Meeting

The Annual General Meeting of Orora Limited will be held at 10.30am (Melbourne Time) on 21 October 2020.

Formal notice of the meeting is sent to each shareholder.

Orora publications and communications

The Annual Report is mailed in mid-September only to those shareholders who have previously requested to receive hard copies of the document.

If you have previously requested a printed copy of the Annual Report, but no longer require it in printed form, please update your preference online with Link Market Services or advise Link in writing.

To view this report online, or to download a copy, visit Orora's website: www.ororagroup.com.

Orora's website, www.ororagroup.com, offers shareholders details of the latest share price, announcements made to the ASX, including half-year and full-year results, investor and analyst presentations and many other publications that may be of interest.

Dividends

The Company normally pays dividends around April and October each year.

Shareholders should retain all remittance advice relating to dividend payments for tax purposes.

1. Direct deposit to a bank, building society or credit union account

Shareholders can receive their dividends directly into a nominated bank, building society or credit union account held in Australia, the United States of America or New Zealand.

The currency selected must match the location of the financial institution. For example, NZD can only be paid into an account held with a financial institution located in New Zealand.

Shareholders can provide or update banking details online at Orora's Share Registry at www.linkmarketservices.com.au.

2. Cheque payable to international shareholders

International shareholders who do not have an account with an Australian, United States or New Zealand financial institution will receive their dividends by Australian dollar cheque.

Lost or stolen cheques should be reported immediately in writing to Orora's Share Registry to enable a "stop payment" and replacement.

In addition, eligible shareholders can choose to have their dividend earnings reinvested in Orora shares.

Dividend Reinvestment Plan (DRP)

The DRP provides shareholders in Australia and New Zealand with the opportunity to reinvest their dividends to acquire additional Orora shares. Shares acquired under the DRP rank equally with existing fully paid ordinary shares.

Full details of the DRP and a DRP election form are available from Orora's Share Registry or from Orora's website.

FINANCIAL CALENDAR 2020–2021

Financial year 2020 (FY20) ends	30 June 2020
Announcement of full-year results for FY20	20 August 2020
Ex-dividend date for final dividend FY20	7 September 2020
Record date for final dividend FY20	8 September 2020
Dividend payment date for FY20 final dividend	12 October 2020
Annual General Meeting	21 October 2020
Financial half year 2021 ends	31 December 2020
Announcement of interim results for financial year 2021 (FY21)	February 2021
Ex-dividend date for interim dividend FY21	March 2021
Record date for interim dividend FY21	March 2021
Dividend payment date for FY21 interim dividend	April 2021
Financial year 2021 ends	30 June 2021

If any amendments are required to be made to this Annual Report, they will be disclosed to the ASX and posted on the Company's website under the Investors section at ororagroup.com/investors

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Orora Limited

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Australia

Telephone: +61 3 9116 1711
Website: www.ororagroup.com

ABN: 55 004 275 165

Chairman
Mr A R Sindel

Managing Director and Chief Executive Officer
Mr B P Lowe

Chief Financial Officer
Mr S G Hutton

Company Secretary
Ms A L Stubbings

Auditors

PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006
Australia

Telephone: +61 3 8603 1000
Facsimile: +61 3 8603 1999
Website: www.pwc.com.au

Orora Share Registry

Link Market Services Limited

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