Report Overview

Prepared in accordance with the Global Reporting Initiative ("GRI") Standard (Core), this is Orocobre’s first public Sustainability Report.

The report has been prepared specifically for our English speaking stakeholders* (investors, customers and other stakeholders) with detailed information about the sustainability performance of our brine-based lithium operations.

In determining the content and boundaries of this report, we analysed the areas of our business that were of greatest interest to our stakeholders, particularly those for whom this report is prepared.

As the development and performance of our Salar de Olaroz project has been the central focus for our investors and shareholders over the past year, we have focused the report on Sales de Jujuy and its activities.

The material issues addressed in the report were selected based on a detailed materiality assessment involving a targeted engagement process with our investors.

The data and content provided in this report covers the period from 1 July 2016 to 30 June 2017, and establishes the baseline for our annual sustainability reporting.

This initial report has not been externally assured as we are still refining and embedding our sustainability data and reporting systems. We will seek external assurance for future reports to ensure the integrity and reliability of our disclosures.

For any questions or feedback regarding this report, please contact our Investor Relations Manager on mail@orocobre.com.

*Our local Spanish-speaking stakeholders receive regular updates about our sustainability performance through direct engagement at community town halls, Government meetings and presentations, and employee meetings and reviews, as well as through written communications prepared and circulated in local media, project websites and email distributions. For more information about how we engage with these groups and keep them informed of our social and environmental performance, please refer to our Stakeholder Engagement section.
Orocobre Limited (“Orocobre”) is a leading lithium and chemicals company, building a substantial portfolio of assets in Argentina’s Lithium Triangle.

With headquarters in Brisbane, Australia, Orocobre is involved with three strategic operations:

Sales de Jujuy
Operating company for the Salar de Olaroz Lithium Facility, a large-scale, brine based lithium project in Jujuy Province of Argentina, Sales de Jujuy is a joint venture (JV) between Orocobre Limited, Toyota Tsusho Corporation (TTC) and the Mining Company of the Argentina provincial government of Jujuy, Jujuy Energia y Minería Sociedad del Estado (JEMSE).

Orocobre’s current focus is on production and expansion plans at Sales de Jujuy.

Borax Argentina
A long-established boron minerals and refined chemicals producer, Borax Argentina has operated in the Salta-Jujuy region for over 50 years.

Information about our Borax Argentina operations can be found on our website.

Advantage Lithium Corp. (35% owned by Orocobre)
Orocobre is dual listed on the Australian Securities Exchange (ASX:ORE) and the Toronto Stock Exchange (TSX:ORL) and is included in the S&P/ASX 200 Index.

In November 2016, Orocobre entered into a JV agreement with Advantage Lithium on its Cauchari Project, and transferred a number of other projects to Advantage Lithium.

More information about Advantage Lithium is available on page 26 of this report, and on our website.

This report will focus exclusively on Sales de Jujuy and sustainability performance of the Olaroz Lithium Facility.
Sales de Jujuy

The Company’s key properties are owned and held by Argentine operating company Sales de Jujuy S.A. (SDJ, ORE 66.5%) and contain those properties associated with the Olaroz Lithium Facility.

Orocobre’s partners in SDJ are Toyota Tsusho Corporation (25%) and JEMSE (Jujuy State Energy and Mining Society) (8.5%)

Olaroz Lithium Facility

The Olaroz Lithium Facility is located in Jujuy Province in northern Argentina, approximately 230 kilometres northwest of the provincial capital city of Jujuy. The operations are at an altitude of approximately 4,000 metres above sea level and produce lithium carbonate from the Salar de Olaroz brine resource. The plant at Olaroz is unique as it incorporates a large-scale purification circuit with the ability to produce potentially 100% battery grade lithium carbonate on site.

Joint Venture Structure

- Orocobre (Australia) 72.68% (SDJ S.A. 66.5%)
- Toyota Tsusho (TTC) (Japan) 27.32% (SDJ S.A. 25%)
- JEMSE (Jujuy, Argentina) 91.5% (Common Share) 8.5% (Class B Share)

Olaroz Lithium Facility Diagram:

1. Brine from bores
2. Primary: Heat + Reagents (Soda Ash & Acid) + Precipitate
3. Purification: Dissolve + Ion Exchange Re-precipitate + CO2 + Micronising
4. Dry & Bag: Heat + Vacuum + Lithium Carbonate

Evaporation Ponds

Lender (Mizuho)
Guarantor (JOGMEC)
Our first full year of production...

- A low cost, high margin brine based lithium carbonate producer
- Increase in production for FY17 from FY16
- High growth industry, with improving fundamentals
- Demand Growth @ 14-15% CAGR by 2020.
- Sustained market prices of >US$10,000/t lithium carbonate equivalent (LCE) at end of FY17
- Large long-life world class resource capable of supporting multiple phases of expansion
- Next phase studies underway to double capacity to 35,000 tpa with a 10,000 tpa lithium hydroxide plant (to be built in Japan)
- Plant optimisation expected to decrease operating cash costs

The 17,500 tonnes per year design capacity plant has been operating since early 2015 and produces a range of highly sought-after lithium carbonate products that are sold into global markets. Demand for lithium chemicals continues to increase as the world's consumers require high quality lithium batteries in applications that are increasingly dominated by state of the art, high performance electric vehicles and grid power storage applications at residential and commercial scale. Consumer electronics continue to provide significant underlying demand but it is the wholesale adoption of electric vehicle (EV) technology by global auto manufacturers that will drive unprecedented growth in lithium demand over the next decade.

We are determined to meet this growing demand through the sustainable development of our asset, including a commitment to sustainable development across our operations, our communities and our value chain.

This report provides an overview of our key challenges and achievements in sustainable development over the past year, and sets out our areas for focused improvement in coming years.
It is with great pleasure that I welcome you to our inaugural Sustainability Report, prepared in accordance with the GRI Standard – a global benchmark for sustainability reporting.

We appreciate that our vision to become a world leading lithium and chemicals company extends well beyond mineral production. It includes our contribution to society; our relationship with the environment and management of natural resources; our responsiveness to our customers; and the development, support and safety of our people, suppliers, and communities. As such, social and environmental considerations form a central component of our Corporate Strategy and our broader commitment to Sustainable Development.

We have operated with deep respect for the communities and the environment of the Puna since our entry to the region in 2006.

2017* was our first full year of commercial production, and it is equally our first year documenting and reporting on our sustainability performance.

We look forward to enhancing our sustainability management and disclosure over the coming years as our operations expand and develop.

In 2017, we also reviewed our operations to assess and align our contributions to the UN Sustainable Development Goals. Our Sustainable Development policy sets the focus of our contributions from a product stewardship, operational performance, and societal investment perspective. Moving forward, we will be seeking to establish performance standards which reflect this policy commitment and extend its reach to all those in our value chain.

Over the year we have made significant progress in our operations.

To maximise the viability, efficiency and sustainability of our operation, we invest for the long term. This includes prioritizing the education and development of our local workforce, and our future suppliers in the region.

We are confident in these decisions, and maintain our commitment to building local capacity and fostering strong relationships with local stakeholders to ensure the long-term success of our operations. We consider this a critical part of our contribution to Sustainable Development locally, regionally and internationally.

We are proud of the enormous contribution our local communities make to our operations, constituting 50% of our workforce and 18% of our direct procurement spend. We are also proud of the entrepreneurs that have developed through our community programs and are now managing contracts with our project and developing capability to service other operators that might move into the region in future.

*Fiscal Year 2017
We acknowledge that the transition from development to production can be a time of heightened expectation across various stakeholder groups. To effectively acknowledge and address these expectations, we made strategic structural decisions in 2017 to ensure greater focus on our Sales de Jujuy operation and its expansion. This included partnering with Advantage Lithium on the majority of our exploration assets and divesting our Salinas Grandes assets to LSC Lithium, which enabled us to liberate financial and human capital invested in exploration activities whilst ensuring ongoing benefits for our shareholders through future development of those assets.

A significant priority in the transition from development to operations is ensuring that our investment in the local communities remains commensurate with the revenues we generate through production, and also that our investment is delivered strategically, efficiently, effectively, and in partnership with the local communities and government.

The majority of our community programs are developed by our Shared Value team in collaboration with the local community. We have already seen significant achievements, particularly from our education and entrepreneurship programs, and look forward to expanding on this work in the years ahead. A baseline assessment is being conducted so that we can more effectively monitor and evaluate the outcomes and impacts of our community investment in future.

The 2017 fiscal year was our first full year of commercial production, and over the past 12 months we have had the opportunity to closely monitor and evaluate the actual impacts of environmental conditions on our operations both at Olaroz and in our broader value chain. Given the uncontrollable nature of climatic conditions, analysing the actual impacts of climate variations on production has provided us with the insights required to better manage and mitigate these impacts in future, responding effectively to short and long-term weather forecasts.

It was also our first full year of capturing performance data regarding the impact of our operations on the environment, with natural resource efficiency being a strong focus for the operation’s Continuous Improvement system. We will use 2017 as an indicative baseline for future environmental reporting. Drawing on data and experience from Sales de Jujuy’s production and construction stages we will seek to develop informed short- and long-term environmental targets and objectives to effectively track and enhance performance through future expansion.

“...We are proud of the enormous contribution our local communities make to our operations, constituting 50% of our workforce and 18% of our direct procurement spend.”

Richard Seville
Managing Director
December 2017
Strategy

Our Corporate Strategy is centred on six strategic priorities and a corresponding set of objectives. The priority areas are mutually dependent and no objective can be achieved in isolation. As such, ongoing focus and commitment to each and every component of this strategy is critical to our success.

Orocobre’s Sustainability Focus Areas, directly aligned to our Strategic Priorities and Objectives, were defined as part of a broader materiality process (see p14) and enable us to more effectively manage, measure, monitor and communicate our sustainability performance.

See page 14

Corporate Strategic priorities and objectives

1. Meet growing demand through sustainable development
   • Grow supply in a sustainable, enduring way
   • Deliver quality product that meets client-specific requirements
   • Ensure an ethical and responsible supply chain

2. Create long-term value for shareholders
   • Maximise the long-term value of the project through staged expansions and prudent financing and investment
   • Develop and maintain strong, strategic partnerships
   • Consider interests of all stakeholders

3. Ensure long and lasting benefits to communities
   • Drive community empowerment and integration
   • Invest in and deliver collective and individual benefits to our communities
   • Improve the quality of life of our communities

Sustainability focus areas

1. Value chain
   • Quality assurance
   • Supply chain management

2. Long-term outlook
   • Basin management
   • Stakeholder relations

3. Communities
   • Community empowerment
   • Community investment
   • Human rights
Optimise environmental outcomes

- Optimise lithium recovery through the system overall.
- Promote natural resource efficiency and productivity
- Ensure responsible land use and rehabilitation

Develop our people and capability

- Commit to personal and professional development
- Inspire, value and retain our people
- Be at the forefront of innovation and technology
- Share knowledge and collaborate across departments
- Drive operational excellence through continuous improvement

Prioritise safety

- Continuously improve safety performance
- Embed a safety focussed workforce culture

Environment

- Impact of climate
- Energy and emissions
- Water management and quality
- Waste management
- Biodiversity

People and capability

- Training and development
- Satisfaction and retention
- Innovation
- Collaboration
- Continuous improvement

Culture

- Culture management
- Health and safety
Highlights & Commitments

Meet growing demand through sustainable development  
**Focus area:** Value chain

- **Status** ✓  
- **Target** Attain the necessary environmental and social permits and approvals for Olaroz Expansion
- **Status** ✓  
- **Target** Attain quality target of 95%
- **Status** ✓  
- **Target** Build local supplier capability
- **Status**  
- **Target** Quality targets achieved
- **Status**  
- **Target** Environmental / social permits secured

Optimise value for shareholders  
**Focus area:** Long-term outlook

- **Status** ✓  
- **Target** Focus financial and human capital on Olaroz
- **Status**  
- **Target** Partnered with Advantage Lithium on Cauchari and other properties
- **Status**  
- **Target** Divestment of Salinas Grandes to LSC Lithium

Ensure long and lasting benefits to communities  
**Focus area:** Communities

- **Status** ✓  
- **Target** Community entrepreneurship training
- **Status** ✓  
- **Target** Benefits Distribution Agreements
- **Status** ✓  
- **Target** Establish register to monitor community expectations and commitments
- **Status** ✓  
- **Target** >140 Community participants in entrepreneurship workshops
- **Status** ✓  
- **Target** Community relations register established and maintained

**Commitments**

- **Highlight** Establish Supplier Code of Conduct
- **Duration** 1yr
- **Highlights** Establish a delivery performance measure
- **Duration** 2yrs
- **Highlights** Enhance consistency across the impurity profile
- **Duration** 2yrs
- **Highlights** Develop systems for supplier monitoring and compliance.
- **Duration** 2yrs
- **Highlights** Conund and schedule Climate Risk Assessments
- **Duration** 3yrs+
- **Highlights** Conduct and schedule Human Rights Risk Assessments
- **Duration** 3yrs+
- **Highlights** Supplier training in social and environmental performance
- **Duration** 3yrs+

- **Highlight** Clearly communicate our basin management approach.
- **Duration** 1yr
- **Highlights** Provide support to Advantage Lithium to maximise value of transferred assets.
- **Duration** 1yr
- **Highlights** Ongoing dialogue with investors regarding ESG investments
- **Duration** 2yrs
- **Highlights** Establish metrics to demonstrate long-term value generation
- **Duration** 3yrs+

- **Highlight** Finalise and implement Community Investment Strategy
- **Duration** 1yr
- **Highlights** Establish agreements with local communities outside Olaroz Chico
- **Duration** 2yrs
- **Highlights** Establish baseline for community wellbeing across our local communities
- **Duration** 2yrs
- **Highlights** Work with Jujuy Government to maximise distribution of benefits
- **Duration** 3yrs+
- **Highlights** Promote transparency of royalty distribution
- **Duration** 3yrs+
- **Highlights** Strengthen strategic partnerships to advance Sustainable Development in the region
- **Duration** 3yrs+
**Optimise environmental outcomes**
*Focus area: Environment*

- Optimise lithium recovery
- Reduce energy and emissions intensity
- Reduce water intensity

**Develop our people and capability**
*Focus area: People and capability*

- Deliver speciality training for all operators
- Maintain turnover rate below 12%
- Trial new technology to enhance efficiencies
- Promote collaboration between departments
- Successful implementation of continuous improvement

**Prioritise safety**
*Focus area: Culture*

- Continuously improve safety performance
- Develop a safety focussed workforce culture
- Reduced TRIFR
- New record of incident-free days

**Production targets achieved**
- 39% reduction in energy intensity
- 24% reduction in water intensity

**Status**
- Achieved
- Ongoing
- Not achieved

**Focus area: Environment**

- Reuse and recycle water to minimise extraction
- Increase community representatives attending organised site visits
- Increase community representatives involved in participatory monitoring
- Reduce water intensity by a further 15%
- Develop and implement emissions reporting framework, systems and processes
- Integrate energy and emissions performance into corporate and operational KPIs
- Assurance of environmental data
- Establish solid baseline for environmental performance based on assured data
- Set short- and long-term targets for energy and emissions intensity reduction

**Focus area: People and capability**

- Formalise industry-specific training into certified course program
- Develop specific training programs to address identified capability gaps
- Increase % of workforce educated to secondary level
- Increase % of workforce with technical qualifications

**Focus area: Culture**

- 0 fatalities
- Target zero harm
Our Focus

To determine the material topics and issues for disclosure in this report the following process was undertaken:

**Investor Interviews**
Targeted interviews with our investors to ascertain key interest areas.

**Five-Part Materiality Test**
Detailed analysis of internal and external sources to determine list of material issues.

**Validation and Prioritisation**
Executive review, validation and prioritisation of material issues and specific FY17 disclosures.
Outcomes

We identified a series of material topics of ongoing relevance to our operations, and a series of discrete issues of specific relevance to our performance in the 2017 Financial Year.

We have therefore decided to prepare two forms of disclosure as part of our annual reporting process:

**Material Issues Disclosures:**
Targeted and specific disclosures addressing those issues that significantly impacted (positively or negatively) the delivery of our strategic objectives during the reporting period.

These disclosures will form the focus of our sustainability report content, and will be redefined annually based on the outcomes of our materiality assessment.

Our Material Issues Disclosures will be published in the Focus Areas section of our annual sustainability report, and will also be accessible via our interactive GRI Index.

**Management Approach Disclosures:**
Overarching thematic disclosures outlining our management approach for topics of ongoing relevance to our operations. (Sustainability Focus Areas)

These will be prepared and published in 2018, and updated annually with performance data and information about activities and initiatives undertaken within the reporting year.

Our Management Approach Disclosures (MADs) will be available on our website, and also accessible via our interactive GRI Index.

Prioritisation of Sustainability Focus Areas

<table>
<thead>
<tr>
<th>Society’s Expectations</th>
<th>Relevance to Orocobre</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>HIGH</td>
<td>HIGH</td>
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</tbody>
</table>

- **LOW**: Collaboration, Culture Management
- **MEDIUM**: Innovation, Continuous Improvement
- **HIGH**: Cross Management, Community Empowerment, Stakeholder Relations, Human Rights, Satisfaction and Retention
- **Control**: Energy and Emissions, Community Investment, Quality Assurance, Water Management
- **Manage**: Waste Management, Biodiversity, Supply Chain, Impact of Climate, Health and Safety, Training and Development
- **Master**: Basin Management, Cross Management, Community Empowerment, Stakeholder Relations, Human Rights, Satisfaction and Retention,

Society’s Expectations: LOW, MEDIUM, HIGH

Relevance to Orocobre: LOW, MEDIUM, HIGH

Control, Manage, Master
FY17 Focus

Value Chain

1. Mitigating external impacts
   Mitigating external social and environmental impacts along our value chain

2. Building customer trust
   Building customer trust in our product and operations

3. Developing local supplier capability
   Developing the capability and capacity of our local suppliers

Long-term outlook

4. Focusing human and financial capital
   Restructuring our involvement in exploration to focus human and financial capital on our operation and expansion

5. Creating long-term value
   Creating long-term shareholder value through strong relationships with all our stakeholders

Communities

6. Managing expectations
   Managing our communities’ expectations as we transition from construction to production

7. Investing strategically
   Establishing a strategic community investment approach to ensure long and lasting benefits to communities

Stakeholder Engagement

Shared Value
People and Capability

11 Developing our local workforce
   Building the capacity of our local workforce

12 Strengthening systems and processes
   Strengthening our systems and processes to enhance our operational efficiency

13 Systematising collaboration
   Collaborative approaches to problem solving and continuous improvement

Culture

14 Culture management
   Reinforcing our values and culture

15 Safety focused work culture
   Fostering and sustaining a safety focused work culture.

Environment

8 Optimising & communicating performance
   Optimising and communicating the environmental performance of our operations

9 Water management and quality
   Stakeholder Perceptions and Operational Realities

10 Energy and emissions
   Focus on minimising the energy and emissions intensity of our operations

Health and Safety Performance
Value Chain

Future Commitments

- Conduct and schedule Climate Risk Assessments to increase our understanding of all the climate related risks in our operations and value chain.
- Establish a delivery performance measure.
- Conduct and schedule Human Rights Risk Assessments to increase our understanding of the social risks along our value chain and ensure management and mitigation.
- Enhance consistency of product quality.
- Establish Supplier Code of Conduct, including social and environmental performance standards.
In 2017, the lithium market recorded another year of strong growth, with demand driven by the battery sector, particularly electric vehicles (EV).

Research, development and the rapid expansion of lithium-powered products indicates there will be significant growth in the battery market over coming years, driving further demand for lithium carbonate and hydroxide.

Beyond lithium-ion batteries, lithium is also used in the production of ceramics and thin-film transistor glass, such as that found on mobile phone screens and flatscreen technology.

Lithium is important for the transition to a Clean Energy Future. Ensuring a sustainable and responsible supply of lithium is one of Orocobre’s key contributions to the Sustainable Development Goals (Goal 7: Affordable and Clean Energy).

An overview of Orocobre’s commitments and contributions to the UN SDG’s is provided on p67 of this report.
MITIGATING EXTERNAL IMPACTS

What are the main environmental challenges facing our company?

There were two significant social and environmental challenges along our value chain in 2017 which impacted not only the distribution of our product to market, but also the import of key production materials.

**Strike: Port of Antofagasta, Chile**

The first challenge was strike activity at the Port of Antofagasta in Chile, one of our principal ports for the import of our raw materials and export of product to market.

Industrial action in Chile’s Ports is relatively commonplace, and we anticipate such activity at least annually. As such, we have contingencies in place to import and export product via the Port of Buenos Aires in Argentina should the need arise.

If the strike occurs within a given Quarter, then our Quarterly results are unaffected, as the sales (albeit delayed) are ultimately shipped to their destination. In 2017, the strike occurred late in our second quarter, which resulted in low Q2 and high Q3 sales figures as shipments were made to market.

To strengthen our contingencies in the event of future port-based industrial action, we have revised and enhanced our alternative logistics arrangements for product export.

**Road Closure: Chile – Argentina Border**

The second challenge was the extreme weather conditions impacting the route across the border between Chile to Argentina – a critical transport route for the import of raw materials and export of product.

Much like the strike activity at Chile’s Ports, we had foreseen the risk of such an event, however were unable to control or influence the timing and/or severity.

We have contingency measures in place to ensure operational continuity when these events arise, including alternate transport routes and local auxiliary sources for critical production materials.

In 2017, however, the weather events in the region were so extreme that the border was closed for a total of 23 days, significantly longer than any previously recorded closures.

We had insufficient stores of soda ash, a key reagent in the production process, to maintain operations for the 23-day period so were forced to cease operations for three days. We capitalised on the opportunity to run necessary maintenance checks and upgrades, however our production figures for the final quarter were obviously impacted.

We have subsequently revised our contingencies to ensure coverage for the newly recorded maximum closure period. We have also increased our hard stand storage for reagents to supplement the current warehouse capacity.

Our experiences in 2017 have reinforced our commitment to managing and mitigating the social and environmental risks along our supply chain. While we have identified many of these risks and have contingencies in place, we recognise the need for regular and robust review, particularly given the rapidly changing nature of the global climate.
BUILDING CUSTOMER TRUST

Building customer trust in our product and operations

To position ourselves as the supplier of choice in the rapidly growing lithium market, we appreciate the importance of establishing customer trust in our product and operations. Our customers provide us with very clear product specifications, and our greatest priority is to deliver product to those specifications as efficiently and effectively as possible.

Also, given mounting pressure on corporates across all industries to ensure the integrity of their supply chains, we have received increasing requests from our customers for information about our social and environmental performance, and about our supply chain. We therefore recognise the importance of managing and communicating our operational performance to our customers, and our customers’ customers.

Product Quality

We produce two types of lithium carbonate – purified and primary. Each of these has different chemical specifications, with primary lithium carbonate undergoing one stage of processing and purified lithium carbonate requiring a second stage of processing. We have laboratories on site to evaluate the chemical specifications of both lithium carbonates at various points throughout the process to ensure we are on track to meet specific production requirements.

Ensuring that the product meets specifications first time, every time, is critical to maximising our customer satisfaction, and delivering ongoing reduction in our energy, emissions and water intensity metrics.

We have an ISO19001 certified Quality Management System in place, and established targets at all levels of the organisation to minimise production outputs that do not meet quality specification.

In 2017, our target was for 95% of production to meet the required quality specifications, and we are proud to report that we successfully met this target.

Operational Performance

Engagement with our customers is managed directly by our JV partner, Toyota Tsusho, who communicates all key customer queries and concerns to the Orocobre management team.

In 2017 we received various queries and questionnaires regarding our social and environmental performance, as our customers’ customers placed greater demands on supply chain transparency.

As these companies seek to manage their reputational risk by ensuring the integrity of the supply chain, we appreciate that our customer’s demands for information about our social and environmental performance will increase.

In addition to the information provided via our annual sustainability reporting process, we will also seek to work with our customers to ensure their ability to respond effectively to specific supplier questionnaires.

We will continue to prioritise customer demands and product quality requirements as we develop and expand our operations. Production-based quality targets will be maintained at a project and corporate level to ensure we maintain our focus both on quality and operational efficiency.
DEVELOPING LOCAL SUPPLIER CAPABILITY

Developing the capability and capacity of our local suppliers

We engaged with our communities early to develop the entrepreneurial skills and capabilities they need to respond to the service requirements of our Sales de Jujuy operations. As a result, an increasing proportion of our suppliers now come from the local communities (Local) and province (Regional). A very small component of our suppliers are international, and generally these relate to our port and distribution activities.

The priority engagement of local suppliers requires ongoing support and development, both with suppliers and with the local communities. In our engagement with local communities in 2017, 15% of the grievances raised related to local procurement and 12% to supplier social and environmental performance.

Suppliers by Contract Value (excl Soda Ash)²

The priority engagement of local suppliers requires ongoing support and development, both with suppliers and with the local communities. In our engagement with local communities in 2017, 15% of the grievances raised related to local procurement and 12% to supplier social and environmental performance.

²Soda Ash is a critical production component that can only be sourced internationally. Given its unique nature and value, it has been removed to provide a more representative breakdown of our elective procurement spend.
Local Procurement

We prioritise local suppliers for the provision of services to the project, and provide support as required to develop the necessary capability and capacity of local businesses.

The Entrepreneurship workshops delivered by our Shared Value team provides local communities with the knowledge and skills they need to establish a business and respond to project service requirements as they arise. In 2017, we had over 140 workshop participants across our 10 communities.

We also have strategic partnership in place with INTI – Argentina’s National Institute of Industrial Technology – to deliver specific supplier training and technical assistance programs for existing local suppliers.

We work with local businesses to develop their capability and ensure their ability to meet all contract requirements. This includes standards relating to environment, health and safety, quality, and community.

While we prioritise and promote local content in procurement, we will not compromise on quality. If local suppliers are unable to deliver on the requirements of the contract, or meet the standards defined, we will not engage (or retain) them until they have developed the sufficient capability.

When local suppliers have the capability to take on a specific aspect of the contracted work, we will explore opportunities to break down contracted services to allow them to deliver only on those components.

We will continue to work with our communities and suppliers to build their capability to deliver on our contractual requirements, and to enhance their awareness and appreciation of social and environmental performance.

Supplier Performance

Ensuring that our local suppliers deliver quality services and uphold our standards of environmental and social performance is critical to the long-term value of our operations, and the sustainable development of the local community.

Local suppliers are often visible in the communities, particularly those providing transport or logistics services, such as the delivery of water, personnel and production materials.

The communities recognise our suppliers, and associate them with the Sales de Jujuy project (even though they might also be working for multiple other clients). As such, their performance reflects directly on the reputation of Sales de Jujuy.

Where suppliers are seen to be behaving in a way that is either disrespectful, or contrary to the standards that Sales de Jujuy and the local communities expect, the communities will raise the concern directly with our Shared Value team at the scheduled “Town Hall” meetings.

To respond to the community’s concerns regarding supplier performance, we are seeking to enhance our approach to monitoring our suppliers and ensuring compliance with our standards of social and environmental performance.
Long-term outlook

Orocobre has more than 6,000 shareholders some of which have been with the company since listing on the ASX on 4 December 2007. Typically, more than 60% of issued shares are held by institutional investors with over 50% of issued shares owned outside Australia.

**Future Commitments**

- Provide technical and other practical support to Advantage Lithium to fast track development and maximise value of the transferred assets.
- Establish metrics which effectively demonstrate long-term value generated by short-term investments.
- Maintain ongoing dialogue with investors regarding strategic investments impacting short-term performance.
- Clearly define and communicate our approach to Basin Management.
**2017 Financial Highlights**

- **Increase** in total production of lithium carbonate.
  Total production of 11,862 tonnes
- **Total sales revenue of** US$120 million
  Up from US$15 million (2 months) in FY16
- **EBITDAX\(^*\) of** US$71.2 million
  Up from US$7.8 million (2 months) in FY16
- **Sales of 12,296 tonnes** of lithium carbonate at an average price received of US$9,763/tonne
- **Reinforced position** as one of the lowest cost producers with gross operating margins of 62%.
  With lithium production costs at US$3,710/tonne

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\(^*\)100% Olaroz (ORE 66.5%)  “EBITDAX: Earnings before interest, taxes, depreciation, amortisation and foreign exchange between gains / (losses)
FOCUSING HUMAN AND FINANCIAL CAPITAL

Restructuring our involvement in exploration to focus human and financial capital on our operation and expansion

In addition to the Sales de Jujuy operations, and pre-dating our listing on the ASX in 2007, Orocobre has also been managing a series of exploration assets. In 2017, recognising there were greater benefits to be gained by focussing our efforts on Sales de Jujuy through future expansion, we made a strategic decision to redirect Orocobre’s human and financial capital from exploration activities.

Our exploration assets had significant strategic importance and value that was maximised through partnering with Advantage Lithium at Cauchari (and other tenements), and the conditional sale of exploration assets at Salinas Grandes to LSC Lithium.

Joint Venture Agreement with Advantage Lithium

Our exploration assets have long presented high yield development potential. In 2017 we acknowledged that realising that potential would require more human and financial capital than Orocobre was able to provide over the short term.

In 2017 we partnered with Advantage Lithium, divesting the following lithium brine exploration projects for a 35% share in Advantage.

<table>
<thead>
<tr>
<th>Property</th>
<th>State</th>
<th>Area (ha)</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cauchari</td>
<td>Jujuy</td>
<td>27,771</td>
<td>50%</td>
</tr>
<tr>
<td>Incahuasi</td>
<td>Salta</td>
<td>9,843</td>
<td>100%</td>
</tr>
<tr>
<td>Antofalla</td>
<td>Salta</td>
<td>10,653</td>
<td>100%</td>
</tr>
<tr>
<td>Guayatoyoc</td>
<td>Jujuy</td>
<td>21,276</td>
<td>100%</td>
</tr>
<tr>
<td>Other</td>
<td>pending</td>
<td>16,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

The transaction will enable these high potential exploration assets to be developed and advanced without need for any further input of capital or management time by Orocobre.

This not only allows continued focus on our current production and expansion plans at Olaroz, but also ensures our shareholders can benefit from value generated through future development of these assets.

Advantage Lithium has the potential to fast track the exploration and development works at Cauchari. Recent drill results confirmed the chemistry of the project is similar to the nearby Olaroz deposit allowing for compatible processing.

Phase one drilling commenced in May 2017, with follow-up twelve hole diamond drill program scheduled to begin later in 2017.

Divestment of Salinas Grandes assets to LSC Lithium

Our contract with LSC Lithium to divest our Salinas Grandes exploration assets, also involved an agreement from LSC to transfer three of its properties adjacent to Olaroz to Orocobre, and also to grant Orocobre a 2% royalty on the brine concentrate produced from the Salinas Grandes tenements.

This deal not only improved our cash position; it also increased our landholding and exploration potential in the Olaroz Basin, and ensured our shareholders could still benefit from future production of the Salinas Grandes tenements.

Basin Management

The size of the Olaroz resource and the associated exploration target is significant and the brine body extends laterally and vertically past those limits and beyond the project’s property boundaries. As opposed to solid mineral ore bodies, the lithium at Olaroz is in brine. With extraction via pumping from boreholes, the brine will move over time within the basin. To ensure long-term value for the company and other stakeholders it is important that we manage the extraction of the brine from the basin in a way that maintains the long term integrity of the Olaroz resource and minimises impacts on surrounding water resources.

The brine resource is a valuable asset for the province and the country. The Salar is shared by communities and other lithium and borates industry participants, and each party’s activity can have impacts and implications for others. The interests of other parties are acknowledged and the company is fully committed to working with the other stakeholders to enable sustainable development for the whole basin and the region as a whole. We recognise that our actions alone are insufficient and that a comprehensive Basin Management framework for the Salar will require collaboration and cooperation across sectors, industries and disciplines. Establishing a robust approach with other stakeholders to Basin Management is therefore a key priority.
CREATING LONG-TERM VALUE

Creating long-term shareholder value through strong relationships with all our stakeholders

We envision a minimum project life of 40+ years for our lithium operations at Olaroz, and are committed to ensuring maximum value for our shareholders over that period. That said, prioritising the long-term value of our operations requires a significant upfront investment in our local communities and in the establishment of healthy and productive relationships with all our stakeholders.

Our focus in the early stages of operations is therefore on maintaining the delicate balance between short- and long-term value drivers, and on establishing trust and developing strong working relationships with our local stakeholders.

Investing for long-term value

We recognise that our project is subject to evaluation according to established metrics of project valuation and performance. We appreciate that production figures, cash flow, market capitalisation and a host of other metrics are fundamental for investors in the valuation of our project.

That said, our commitment is to becoming a reliable, sustainable, high-performing long-term investment. To achieve this requires focus on specific issues in the short term which can further enhance our future performance and shareholder value.

For example, we invest significantly in developing the capability of our local workforce. In the past six years, we have successfully developed members of the local communities into highly capable operators, and in some cases Supervisors, at the Olaroz facility. Such investment takes focus, time and money.

Capacity building of employees and suppliers represents a significant investment of time and resources in the short term, but will pay dividends in the long term given the associated cost offsets (attracting talent, sustaining an external workforce, and/or long-distance transporting of goods and services) and social risk benefits associated with community integration in the project.

Establishing clear boundaries regarding performance and compromise are also critical in the early stages of project development. Clear stands of zero tolerance were taken early on corrupt practices, employee behaviour, quality control and safety. We are already reaping the benefits in terms of productivity, employee engagement, positive reputation, and trusted stakeholder relationships.

Trusted relationships with our stakeholders

Establishing trusted relationships with our communities and strategic partners is critical to long-term project value.

Without the solid relationships we had developed with our local communities in the early stages of exploration, we would not have gained their support or government approval to progress with the project.

Having gained community and government support, our priority is now on maintaining the trust and integrity of these relationships, by ensuring our commitments to these stakeholders are met, and that the project continues to deliver value and benefits to them over the long term.

Establishing solid relationships with strategic partners to support the delivery of our objectives is also a priority in these early stages.

In the past few years, we have worked closely with AOMA (Argentinean Miners’ Union) to establish a collective bargaining agreement which benefits and protects our workforce; we have developed strategic alliances with the University of Jujuy, INTI (National Institute of Industrial Technology), and CASEMI (Argentinean Chamber of Mining Suppliers and Service Providers) to deliver education and training programs for our employees and suppliers; and we have developed relationships with Provincial Health and Education Ministries to promote education and health outcomes for our local communities.

We consider these relationships important to the long-term value of the project, and essential to delivering on our strategic objective of optimising returns for our shareholders.

Effectively communicating and demonstrating the long-term value created by our stakeholder relationships and our short-term actions and investments will be critical to our stock performance in coming years, and will enhance investor sentiment and shareholder trust in our management approach. To achieve this we will seek to establish key metrics of relevance to our investor community and report on these as part of our annual reporting process.
STAKEHOLDER ENGAGEMENT

Engagement Methods

**Customers**
- Customer relationships directly managed by Toyota Tsusho
- Regular confirmation of customer needs
- Customer satisfaction surveys

**Suppliers**
- Supplier survey
- Annual breakfast with vendors
- Regular meetings
- Annual Performance Assessment
- Suggestions box

**Peers**
- Meetings for industry associations
- Communication via email and public forums
- Dinners/events with industry peers
- Emails and discussions re topics of relevance
LONG-TERM OUTLOOK

Investors
• Specific information disclosures via ASX Release
• Continuous disclosure via website and emails
• Periodic disclosures via Quarterly, Half- and Full-Year Reporting and the Annual General Meeting
• Meetings, interviews and surveys

Shareholders
• Online: Toronto and Australian stock exchanges
• Road shows
• Shareholder Meetings
• Statutory reporting and accounts

JV Partners
• Regular ongoing meetings with Toyota Tsusho
• Technical assistance
• Meetings with business representatives

Communities
• Ongoing dialogue via Shared Value team
• Program development and evaluation activities
• Monthly assemblies, cultural and religious events
• Monthly “Town Hall” meetings
• Participation in environmental monitoring
• Direct face to face communication
• Telephone communication
• Meetings with community institutions

Government
• Meetings and Presentations
• Spaces for debate and public-private dialogue
• Public-private linkage programs
• Emails, phone calls

NGOs
• Meetings on request, as required
• Mail, phone, direct personal engagement

Regulatory Bodies
• Audits
• Monthly and annual reports
• Permit and licence requests and submissions

Future Generations
• Precautionary principle
• Ensure best possible environment (physical and socio-economic) for future wellbeing

Media
• Press releases
• Interviews
• Engagement by mail, phone and in person

Employees
• Induction Workshops
• Ongoing direct personal dialogue
• Employee consultation meetings
• Suggestions Box
• Annual performance reviews
• Employee satisfaction surveys
• Director visits to site
• Reporting channel for unethical Behaviour
• Intranet, newsletters, emails, billboards

Unions
• Regular face-to-face meetings
• Formal negotiations and approvals for changes
• Union representative within workforce
• Emails, phone calls

Universities
• Course development
• Training programs
• Internships
• Research collaborations

The main issues raised in FY17 in engagement with each of these stakeholder groups are addressed in the Focus Areas section of this report.
Communities

Future Commitments

- Work with Jujuy Government to maximise distribution of benefits.
- Promote transparency of royalty distribution at municipal level.
- Increase our engagement with communities outside Olaroz Chico.
- Finalise and implement Community Investment Strategy.
- Establish baseline for community wellbeing across our local communities.
- Strengthen strategic partnerships and multi-stakeholder initiatives to advance Sustainable Development in the region.
Our Communities

Olaroz Lithium Facility

Coranzuli
El Toro
San Juan Guillayes
Pastos Chicos
Huancar
Puesto Sey
Catua
Olaroz Chico

Legend

- Community
- Towns
- Road Access to Projects
- Orocobre Lithium Projects

Jujuy
212km
Abra Pampa
Casabindo
San Antonio de los Cobres
Santa Rosa de los Pastos Grandes
Reserva Nacional Los Flamercos
Chile
Salar de Pocitos
Santa Rosa de Tastil
Purmamarca

212km
Our Approach for Maintaining Strong Relations with our Community

1. Analyse
   - Analysis of the local context

2. Design
   - Development of Community Engagement and Development Plan

3. Implement
   - Implementation of Community Engagement and Development Plan

4. Monitor
   - Track initiatives, progress and corrective actions

5. Revise
   - Identification of new needs and responses

6. Engage
   - Feedback from communities and strategic partners

7. Re-evaluate
   - Evaluation of approach: Re-analyse and diagnose

Approach to Community Engagement

- Provide regular opportunity for engagement and consultation
- Understand community expectations and demands
- Deliver targeted support initiatives in the communities
- Work with employees in the community
- Work with community suppliers

People & Capability page 50
Value Chain page 18
UNDERSTANDING EXPECTATIONS

Understanding our communities’ expectations as we transition from construction to production

The transition from development to production at Olaroz in 2016 generated increased interest and expectation within our communities. With the project now generating production revenue, our communities are keen to understand and access their share of project benefits, be it as royalties, local employment, direct investment or another benefit stream.

We understand the communities’ mounting interest and motivation, and are equally committed to ensuring that benefits from the project are distributed effectively throughout the region. As we are unable to control distribution flows within the region – royalties are paid to the Provincial Government and distributed as stipulated by law – our focus has been on direct community engagement and supportive agreements.

Royalty Payments in Argentina

The payment of royalties in Argentina is determined by law. As such, Orocobre pays 3% of the “mine mouth” value of the mineral extracted to the Provincial Government of Jujuy, who is then legally required to distribute that amount evenly across all 61 municipalities in the Province.

While Argentina is not an Extractive Industries’ Transparency Initiative (EITI) nation, we are committed to ensuring transparency, and will continue to disclose our payments to local government and communities as we develop.

In the past 2 years of production, we have paid approx. 28 million ARS ($1.7 million USD) in royalties to the Government of Jujuy.

Given that certain municipalities are more impacted by our activities than others, there are often grievances raised within the local communities about this system of royalty distribution.

We understand and respect the Government’s mission to share the benefits of our activity across the Province, and engage regularly with local communities to monitor and respond to any grievances they might have regarding this approach.

Corporate Taxes

Orocobre’s current operations are focussed solely in Argentina. Philosophically, Orocobre is committed not only to full compliance with the tax laws of Argentina but also to ensuring all profits from its Argentina operations are taxed in Argentina.

SDJ does not currently pay corporate tax as it absorbs the significant losses incurred during construction and commissioning of the project. However, at current Lithium Carbonate selling prices, corporate tax is projected to be paid from FY2020 onwards. In determining its taxable income SDJ does not participate in any transfer pricing arrangements with export selling prices being on a “Free On Board” (FOB) basis.

### Royalty and other Government Payments (USD)

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other provincial and municipal taxes</td>
<td>$167,515</td>
</tr>
<tr>
<td>Provincial royalty</td>
<td>$1,474,137</td>
</tr>
<tr>
<td>Other national taxes</td>
<td>$57,277</td>
</tr>
<tr>
<td>Employment taxes paid by SDJ</td>
<td>$2,122,897</td>
</tr>
<tr>
<td><strong>Total paid by SDJ</strong></td>
<td><strong>$3,821,826</strong></td>
</tr>
<tr>
<td>Provincial withholding tax to local business</td>
<td>$636,729</td>
</tr>
<tr>
<td>Withholding tax on salaries</td>
<td>$5,117,039</td>
</tr>
<tr>
<td><strong>Total withheld by SDJ</strong></td>
<td><strong>$5,753,768</strong></td>
</tr>
</tbody>
</table>
In 2017 we delivered the following as part of that agreement:

- **4,000 L of fuel / month** to ensure 24h access to energy (This supplements the solar systems already installed)
- **32,000L of water / month**
- **Upgrade of Route 70, access road to Olaroz.**
- **Internet for the School and Community Centre triggering funding and provision of additional teachers.**
- **Evaluation of opportunities to expand the internet network.**

Direct payments commensurate with production

The people of Jujuy have several avenues to share in the economic benefits that will arise from the Olaroz project. These include royalties, taxes and a direct ownership interest in the project.

**Provincial Ownership**

The Provincial Government of Jujuy has owned an 8.5% interest in SDJ, and hence the Olaroz project, through its investment vehicle, Jujuy Energia y Minería Sociedad del Estado ("JEMSE"), since 2012. JEMSE was a foundation partner in the joint venture and is the principal mechanism through which the Provincial Government and the people of Jujuy will enjoy the economic benefits of the Olaroz project.

Consistent with local ownership arrangements of this nature, the JEMSE capital contribution to the project has been risk free, with Orocobre funding all of JEMSE’s capital contributions during the construction period and beyond. Orocobre will be repaid from JEMSE’s share of future dividends. Importantly, this funding has been interest free. Future repayments of the JEMSE funding is limited to one third of the dividends it receives from SDJ. Therefore JEMSE will benefit from the remaining dividend flow in addition to the increase in the value of the Olaroz project.

**Community Engagement and Agreements**

To manage the expectations and demands of our communities, we engage regularly and openly with our communities and maintain a register of grievances to track and monitor our responses and any further developments.

To complement the Provincial Government’s distribution of royalties to our local communities, we also have agreements in place with the community most directly impacted by the project.

The agreement with Olaroz Chico aligns with our commitment to Sustainable Development, ensuring community access to energy, water, and internet, as well as development and maintenance of key infrastructure (access roads, schools and community buildings) and the direct payment of production related benefits.

We look forward to increasing our engagement with communities outside Olaroz Chico in future years.

Our focus in 2017 was on maintaining open dialogue with our communities, listening to their concerns, and reassuring them of our commitment to their wellbeing and to securing their benefits from the project now and into the future. In 2018, we will build on this engagement to develop and communicate the distribution of project benefits across the region in years ahead.
INVESTING STRATEGICALLY

Establishing a strategic community investment approach to ensure long and lasting benefits to communities

Since our arrival in the region, we have been committed to contributing to the local communities and developing the necessary partnerships, programs and initiatives to ensure they were not only empowered, engaged and integrated in the project, but also set to benefit from our activities in the short, medium and long term.

We are very proud of the engagement, collaboration and development we have enjoyed with our local communities over the past five years. And, given the strength of our production figures and our plans for expansion, we are excited to be able to scale our shared value activities and develop a more strategic approach to investment in our communities.

Community Investment

Our community investment to date has been centred on the five pillars of our Shared Value program: Education, Health, Production, Transparency and Empowerment.

Our main focus in development was on the empowerment of local communities and on developing their capacity to engage as fully as possible in current and future project activities.

Now that we have moved into production and are generating revenue from our operations, we have the opportunity to scale our shared value activities and contribute more to sustainable development outcomes in the region.

We are currently preparing a detailed Community Investment Strategy, which considers the local socio-economic context, regional development priorities, and community consultation outcomes, as well as our organisational competencies and resources, in defining our investment objectives and focus areas.

Our focus is on ensuring we have the right structures in place to maximise the impacts of our investment, and the systems and processes to effectively monitor and evaluate those impacts.

Multi-Stakeholder Partnerships

We acknowledge that maximising the scope and effectiveness of our Community Investment requires effective partnerships with local community groups, municipal and provincial governments, and industry peers in the region.

We are committed to ensuring that our approach to Community Investment is leveraged through multi-stakeholder collaboration, working with partners in the region to develop and implement social impact plans and initiatives.

This year we engaged with industry peers in the region to explore the potential for collaborative initiatives and investment structures.

We presented on our community engagement work at various industry forums and were recognised by the World Bank for the success of our community investment approach. We are hopeful that this exposure and endorsement will encourage other resource companies in the region to work with us in advancing sustainable development outcomes.

Our commitment to the wellbeing and long-term sustainability of our communities has always been central to our community investment approach, and we look forward to working with our communities and other strategic partners to deliver solid socio-economic impacts across the region in years to come.
**SHARED VALUE**
**OUTCOMES AND IMPACT**

**Five Pillars of Shared Value**
1. **Empowerment**
   - Seize opportunities to strengthen communities and promote wellbeing

2. **Transparency**
   - Build capacity of communities and local suppliers

3. **Local Production and Natural Resources**
   - Provide and promote space for cross-sectoral dialogue and collaboration

4. **Education**
5. **Health**

**Operational Objectives of Shared Value**

**Case Studies**

1. **Entrepreneurship Programs for our Local Communities**
2. **Drought Support for Local Livestock Farmers**
3. **Education Infrastructure and Certification for Local Communities**
Empowerment

**Entrepreneurship Programs for our Local Communities**

Developing entrepreneurial capacity in our local communities is a systematic, multi-stage process delivered in close collaboration with our communities. Members of the community are selected by the community to undertake a series of four entrepreneurship workshops, comprising:

1. Introduction to Entrepreneurship
2. The Model Canvas
3. Business Planning
4. Entrepreneurship Capability Testing

Community members who successfully complete this workshop series, are then eligible for selection by the community to take part in Sales de Jujuy’s Local Business Development process.

**CASE STUDY 1**

- **Group of future entrepreneurs preselected by the community**
- **Introduction**
  - Introduction to program and the evolution of business ideas, including overview of specific opportunities with Sales de Jujuy
- **Business Planning**
  - Define the objectives, risks, opportunities, support network and plan and control
- **Selection**
  - Results are collated and revised with final selection confirmed with the community
- **Implementation**
  - A plan is established to develop the successful business, including finance and capacity building
- **Evaluation**
  - Plans are evaluated by Sales de Jujuy and the community and ranked based on predetermined criteria
- **12 Months**
  - New business and contract with Sales De Jujuy
In 2017, we had over 140 participants in our entrepreneurship workshops across eight of our ten local communities, and 30 businesses evaluated as part of our Local Business Development process across Susques, Olaroz and El Toro.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Susques</td>
<td>17</td>
<td>26</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Olaroz</td>
<td>30</td>
<td>25</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>El Toro</td>
<td>17</td>
<td>15</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Jama</td>
<td>27</td>
<td>20</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Catua</td>
<td>20</td>
<td>15</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Pasts Chicos</td>
<td>10</td>
<td>6</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Huancar</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>San Juan</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140</strong></td>
<td><strong>111</strong></td>
<td><strong>104</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>
CASE STUDY 2

Local Production and Natural Resources

Drought Support for Local Livestock Farmers

As the summer of 2016 brought very little rain, many properties in the region began to suffer the effects of drought. By August 2016, grass was no longer growing and existing vegetation became hard and dry. Such conditions presented significant risk to the region’s livestock (llamas, goats and sheep) who became weak and much more susceptible to life threatening diseases and parasites. These animals provide our local communities with protein for their diets, and also with wool for sale and to make clothes and other garments.

Given Orocobre’s commitment to production and natural resources, we instigated emergency action to safeguard the livestock of the community. Working with the community of Olaroz, we implemented a livestock vaccination program for the benefit of all producers in the region. This included an anti-parasitic treatment and a calcium supplement to boost the strength of the livestock. We also provided the producers of Olaroz with 500 bundles of alfalfa, 250 bags of corn and 200 salt blocks as supplementary nutrition for the animals to survive the period of drought that the region was experiencing.

In December, the region received much needed rain, restoring the vitality of the fields and the strength of the livestock which had managed to survive the drought thanks to the collaborative intervention with the community of Olaroz.

<table>
<thead>
<tr>
<th>Property</th>
<th>Llamas</th>
<th>Goats</th>
<th>Sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potrerillo</td>
<td>113</td>
<td>55</td>
<td>-</td>
</tr>
<tr>
<td>Pan de Azúcar</td>
<td>138</td>
<td>203</td>
<td>39</td>
</tr>
<tr>
<td>Tuglecito</td>
<td>59</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>Achicorial</td>
<td>83</td>
<td>160</td>
<td>-</td>
</tr>
<tr>
<td>Agua Blanca</td>
<td>208</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Veta</td>
<td>73</td>
<td>128</td>
<td>-</td>
</tr>
<tr>
<td>Vertientes</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salas</td>
<td>18</td>
<td>78</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>702</td>
<td>674</td>
<td>167</td>
</tr>
<tr>
<td>Total Animals</td>
<td>1,543</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Collaborative Vaccination Program

Delivery of Alfalfa
Education

Education Infrastructure and Certification for Local Communities

Orocobre is committed to ensuring quality education for both our communities and our employees. In line with this commitment, we have supported our communities to develop the necessary infrastructure to enable provision of State educational services. This includes provision of materials to construct primary and secondary school facilities, installation of renewable energy systems to provide schools and community centres with electricity, and establishing the IT infrastructure to enable teachers and students to connect to the internet and access global educational resources.

We have also leveraged cross-sectoral partnerships to further the scope of work in education. We reached an agreement with the Provincial Ministry of Education to offer a specific education program for our employees, enabling State-certified completion of their primary and secondary studies. We also worked closely with the National University of Jujuy to develop technical courses in Mathematics and Chemistry, suitable for people with no advanced education, that had specific relevance to lithium-brine production and processing. Our employees have actively engaged in both of these programs, with 22 graduates from the primary/secondary program in 2017, and a total of 75 students enrolled in the University of Jujuy technical courses.
Environment

We are committed to ensuring the ongoing vitality of the local environment, and the integrity of the ecosystem services that support life in the region. Where there is a possibility that our activities could impact negatively on the environment, we take every action to avoid or mitigate that impact.

Future Commitments

Commence assurance of environmental data.

Establish solid baseline for environmental performance based on assured data.

Identify and action opportunities to reuse and recycle water within our production process to minimise extraction.

Reduce water intensity by a further 15%.

Set short- and long-term targets for energy and emissions intensity reduction.

Integrate energy and emissions performance into corporate and operational KPIs.
Impact of Environment on Operations

**Impacts on Value Chain**
- Port Infrastructure Impacts
  - Extreme weather impacting distribution channels through ports.

**Impacts on our Operations**
- Road Closures
  - Extreme weather impacting distribution channels across border and access roads.
    - Flash flooding, landslides.

**Impacts on community**
- Evaporation pools
  - Climatic conditions impacting our evaporation ponds.
    - Sun, wind, rain.

- Community impact
  - Extreme weather impacting on communities health, productivity.
    - Droughts, natural disasters.

Impact of Operations on the Environment

**Water**
- There are two sources of water extraction: brine from the salar and industrial water (groundwater) which is treated and used for processing. Water is returned to the evaporation ponds after processing to recover residual lithium. There are no discharges to the environment.

**Energy**
- Energy is generated by the natural gas generators to power processes in the production plant and provide electricity for the camp.

**Emissions**
- There are 3 main emission sources:
  - Energy generation, Process emissions and Transport related emissions.

**Emissions within our operation**
- Brine extraction
  - Energy used to treat water for production.

**Emissions in our value chain**
- Industrial water extraction
  - Thermal energy is captured and reused wherever possible through heat exchangers.

- By enabling clean energy alternatives, we offset emissions.
Optimising and communicating the environmental performance of our operations:

2017 was our first full year of production, and has been a critical year for us to better understand and quantify the actual impacts of the environment on us, and our impacts on the environment.

Being the first lithium brine operation to be developed in over 20 years, many of our stakeholders have been unaware of the true nature of our operations, and how it differs from ‘hard rock’ mining activity.

As such, 2017 has been a year of focus on two fronts: drawing on our experience in the first year of production to optimise our environmental performance, and developing the systems and process to enhance communication of our performance to key stakeholder groups.

### Optimise Performance

Unlike many resource operations, ours is unique in that the environment has a much greater impact on us than we have on it.

Our production process draws on natural solar energy to evaporate brine extracted from the salar and to concentrate the lithium content before it enters the processing plant. Because natural evaporation forms a critical part of our production process, the productivity of our operations is largely dependent on environmental and climatic variables.

The impacts vary depending on the season, which is why a full year of operations was necessary to better understand the actual impacts of these variables on our operations.

We have been able to understand the full extent of these impacts, and develop our ability to better adapt to them, after tracking and measuring the correlation of environmental conditions and evaporation rates over the past year.

Impacts on our evaporation process place greater demands on our production process, and require greater energy and material inputs to compensate for reduced concentration levels. In this regard, climatic variables impact not only our productivity and operational efficiency, but also our environmental performance.

<table>
<thead>
<tr>
<th>Month</th>
<th>Conditions</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep – Dec</td>
<td>Sun, Wind</td>
<td>A lot of sun and a fair amount of wind, both of which support the evaporation process.</td>
</tr>
<tr>
<td>Jan – Feb</td>
<td>Rain</td>
<td>Varying amounts of rainfall which can impede the evaporation process, and also dilute the concentration of lithium in our evaporation ponds (60-80mm/yr total rainfall).</td>
</tr>
<tr>
<td>Mar – May</td>
<td>Wind</td>
<td>Significant levels of wind which is beneficial to the evaporation process.</td>
</tr>
<tr>
<td>Jun – Aug</td>
<td>Snow / Cloud</td>
<td>Possibility of snow, which presents the greatest risk to operations as it impacts evaporation and concentration levels.</td>
</tr>
</tbody>
</table>
Communicate Performance

Since we moved into production in FY16, we have had increasing requests from various stakeholder groups for more detailed information about our environmental performance, with particular focus on water, energy and emissions.

Up until now, water consumption data has been used to demonstrate compliance with local water regulation, and energy and gas has been largely reported from an operational cost perspective.

The style and format of data requested by our investors, customers and other stakeholders varies significantly to internal management and compliance based reporting.

In 2017, we have set about producing our first sustainability report in a bid to enhance communication of our environmental performance to our investors, shareholders and other stakeholder groups.

This process has highlighted the need for more robust data systems and processes which promote greater management of performance internally and also enhance our ability to respond quickly and easily to the increasing number of data requests and surveys.

In 2018 we will look to streamline our data collection systems and processes, so that we can more effectively, reliably and consistently report on our environmental performance in future. We will also enhance the communication of our environmental performance by establishing:

- An environmental baseline
- Specified environmental targets and objectives
- Easily verifiably aggregated and disaggregated data
- Aligned reporting calendars and frameworks
- Consolidated metrics and data points

Now as we are growing our understanding of the correlation between environmental and climatic conditions and our operational performance, and gaining a greater appreciation for the standard metrics and data points of interest to our stakeholder groups, we will be better placed to establish targets and objectives for the future.

We comply with all provincial and national environmental regulations as applied and authorized by the Jujuy Provincial Department of Mining and Energy Resources and the Provincial Department of Environmental Quality. In 2017 there were no reportable environmental events under these regulations due to the Company’s activities.
WATER

Water Management and Quality: Stakeholder Perceptions and Operational Realities

Our lithium brine operation at Olaroz differs significantly not only from ‘hard rock’ lithium mining operations but also from other brine based operations in terms of its impact on adjacent water bodies. We not only require less water for processing than traditional operations, the composition of the Salar de Olaroz also minimises the impact of our brine extraction on the local environment.

The Salar de Olaroz lithium deposit is in sedimentary aquifers with relatively low permeability, so drawdowns are limited to the salar and immediate surrounds. In contrast, halite-hosted deposits such as Salar de Atacama, Salar de Hombre Muerto and Salar de Rincon have very high near surface permeability and can impact more on water resources around the Salar and on the local environment.

Given ours is the first brine-based operation to be developed in over 20 years, we recognise that our stakeholders are largely unaware of this difference, and so our focus as we progress into production is to clarify misconceptions and maximise transparency of our operational relationship with local water bodies.

Managing Stakeholder Perceptions

Water will always be a critical focus for our local communities, and we appreciate the importance of providing them with assurance that their water resources are valued and protected.

Since 2013, our Shared Value team has delivered a program with our communities to train and engage community representatives in our water monitoring activities. This not only empowers the community to hold us accountable, but also provides them with the skills to understand and evaluate water management practices. In 2017, we ran four water monitoring programs with an average of seven community participants involved in each. This is almost double the average community involvement in monitoring activities in previous years, with 58 participants involved in 12 monitoring programs over the 2013-2016 period.

In 2017 - in response to community requests to better understand our impact on water - we initiated our educational site visits program, inviting community members to visit the facility at Olaroz to see how water is extracted and consumed as part of our operations.

Feedback from both programs has been positive, with community members demonstrating greater understanding of our operations and stronger appreciation of our actual impact on local water sources.

Participation in these programs will be expanded as we implement further solutions to transport and host community members at our project site. We will continue to explore additional methods to enhance community participation, exposure and understanding of our operations.

Future Commitments

Benchmark water use and efficiency against our peers.
Minimising Consumption

While our water consumption is far lower than typical resource operations, we are still committed to reducing our extraction of industrial water as part of our broader commitment to operational efficiency.

Given that we are required to treat the brackish water we extract before it can be used in the production process, any reduction in water consumption equates to a reduction in the energy required to treat that water.

In 2017, we revised the flows of water through the production process to identify opportunities where water could be captured and reused. This was trialled and implemented successfully, and we look forward to reporting on the resulting water and energy efficiency gains in our 2018 report.

We equally acknowledge that if we can enhance the efficiency of our evaporation and production processes, we will be able to maximise the amount of lithium we can produce from every tonne of brine extracted.

Our process of reinjecting water from production, which contains traces of chemicals used in the evaporation and concentration process, back into the evaporation ponds equally minimises our brine extraction volumes.

Our operational teams are constantly reviewing process efficiency improvements to identify opportunities to enhance productivity.

Water – 24% reduction in Water Consumption Intensity
ENERGY AND EMISSIONS

Focus on minimising the energy and emissions intensity of our operations

As a lithium producer facilitating the global transition to a clean energy future, we appreciate the importance of mitigating climate change through energy efficient operations and low carbon energy sources.

Our corporate strategy seeks to optimize both environmental outcomes and returns for our shareholders. By enhancing the energy productivity of our operations – ensuring maximum production output for every unit of energy consumed – we not only minimize our impact on the environment, but also reduce operational expenses, and maximize production figures and associated revenues.

Energy

Our primary source of energy on site is natural gas. We use natural gas to generate electricity for the site, and also to directly fuel the boilers in our production plant.

We are constantly seeking opportunities to reduce energy consumption through our continuous improvement program, which encourages all employees and site-based operators to propose opportunities to enhance energy efficiency and productivity.

New technologies and processes are trialled in our pilot plant, and if deemed viable and effective are ultimately transitioned and implemented into our operational plant.

Energy reduction activities undertaken in 2017 include equipment alterations and upgrades, process redesign, and behaviour change initiatives.

Our absolute energy consumption increased by 18% from 2016 to 2017, but our overall production figures increased by nearly 72%. As such, we have reduced the energy intensity of our operations by over 30%.

Energy - 39% reduction in energy intensity
Emissions

Our primary focus in the initial stages of production is on reducing the Scope 1 emissions associated with our operations.

In these early years of production, our priority has been on enhancing the energy efficiency of our production processes, and we have benefited from reduced emissions as a result of these initiatives.

We are now working to systematise our data collection processes to expand the depth of our emissions reporting, and to ensure our data is as complete, comparable, and comprehensive as possible for future years.

Currently our emissions data is calculated based solely on the stationary combustion of natural gas in our generators and boilers. In future years we will look to include transport, fugitive and process emissions in our Scope 1 data.

We also acknowledge that there are opportunities to manage and reduce indirect emissions associated with our operations, and we will seek to expand our reporting boundary over time to include elements of Scope 3.

Emissions – 19% reduction in emissions intensity

We will continue to seek energy and emissions intensity reductions as we expand our operations. Our focus for the coming years will be on establishing a solid framework for managing and reporting on our energy and emissions, including reduction targets.

Note:
Scope 1 emissions are direct emissions from sources that are owned or controlled by us, and include stationary combustion, mobile combustion, process emissions and fugitive emissions.

Scope 2 emissions are indirect emissions that are a consequence of our operations but are not directly owned or controlled by us, including third-party distribution and logistics and emissions from the use of sold products.

Scope 2 emissions relate to the consumption of purchased energy generated elsewhere, which is not relevant in the context of our operations.
People and Capability

**Future Commitments**

- Formalise industry-specific training into certified course program.
- Develop specific training programs to address identified capability gaps.
- Develop robust, prospective data systems and processes.
- Third-party verification and assurance of our social and environmental data systems and processes.
- Set social and environmental KPIs and stretch targets.
- Increase % workforce with technical qualifications.
We acknowledge and leverage the value that comes from having a diverse workforce.

### Workforce Breakdown

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Local</th>
<th>Regional</th>
<th>National</th>
<th>International</th>
<th>&lt;30</th>
<th>30 - 50</th>
<th>&gt;50</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>21</td>
<td>67</td>
<td>22</td>
<td>6</td>
<td>2</td>
<td>5</td>
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<td></td>
<td>180</td>
<td>27</td>
<td>121</td>
<td>53</td>
<td>32</td>
<td>112</td>
<td>85</td>
<td>15%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>282</td>
<td>15%</td>
<td>50%</td>
<td>27%</td>
<td>21%</td>
<td>2%</td>
<td>42%</td>
<td>50%</td>
<td>8%</td>
</tr>
<tr>
<td>2016</td>
<td>9</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>13</td>
<td>48</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>178</td>
<td>14</td>
<td>4</td>
<td>64</td>
<td>160</td>
<td>18</td>
<td>91</td>
<td>61</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>251</td>
<td>14%</td>
<td>38%</td>
<td>37%</td>
<td>25%</td>
<td>2%</td>
<td>43%</td>
<td>51%</td>
<td>6%</td>
</tr>
<tr>
<td>2015</td>
<td>8</td>
<td>7</td>
<td>1</td>
<td>43</td>
<td>36</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>4</td>
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<td></td>
<td>141</td>
<td>18</td>
<td>18</td>
<td>192</td>
<td>123</td>
<td>18</td>
<td>79</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>192</td>
<td>17%</td>
<td>42%</td>
<td>29%</td>
<td>28%</td>
<td>1%</td>
<td>39%</td>
<td>55%</td>
<td>6%</td>
</tr>
</tbody>
</table>

### Local Employment
- Local 50%
- Regional 27%

### Gender Diversity
- Female 15%
DEVELOPING OUR LOCAL WORKFORCE

Building the capacity of our local workforce

The Salar de Olaroz facility is located at 4000 metres above sea level in a region which is known for its harsh conditions and barren terrain. We recognised early in project development that attracting people to live and work in the region would be no easy feat, now or in the future. And so, the most effective means of establishing and retaining a competent, committed and engaged workforce is to develop people from the local communities to operate, supervise and ultimately manage the operations.

When we arrived, the local communities around Salar de Olaroz had limited advanced education, with very few of the working population having completed primary and secondary education. The work that we have done over the past six years, and that we continue to do with both our employees and communities through the collaborative efforts of our Shared Value and Human Development teams, has been with the express focus of preparing our local communities for future employment opportunities.

Education and development

There are two main aspects to the education and development of our local workforce:

1. Primary and secondary education for our employees and communities to prepare them for future opportunities;

2. Training and development of our employees to enhance their technical skills and capabilities.

Our Shared Value team works closely with each of our communities to strengthen primary and secondary school programs and infrastructure. This includes materials to build and/or upgrade primary and secondary school buildings, installation of energy and internet facilities to enhance educational programs, and the facilitation of community access to teachers and teaching materials.

We also provide opportunities for our employees to complete their studies whilst on site. In collaboration with the Provincial Ministry of Education we have implemented a primary and secondary education finalisation program for our employees. 22 students finished their studies in 2017 with a further 20 commencing in 2018.

We have worked closely with the Universidad de Jujuy to develop specific Science, Technology, Engineering and Mathematics (STEM) modules of relevance to the processes used in lithium production, designed specifically for students with limited prior education. 75 employees studied these modules in 2017.

By delivering these specific modules, we provide our workforce with a better understanding of the chemical and mechanical concepts underpinning our production processes. This broader understanding not only serves to enhance their engagement and productivity, but also enables them to contribute more effectively to our continuous improvement initiatives. By understanding the broader system, they are better able to identify opportunities for improvement.

Preparing for Organisational Excellence

In 2017, we launched our Operational Excellence program, which involved a redesign of training programs for all staff and supervisors. The training delivered in the initial stages of this program was focused on promoting feedback between supervisors and operators to enhance operational
We are proud of the skills and capabilities we have developed, and continue to develop, within our local workforce. As new projects develop in the region, we are equally conscious of the need to retain our skilled and competent workforce, and so are complementing our development programs with initiatives that support employee engagement, including family and lifestyle benefits.

Based on the collective bargaining agreement signed with AOMA (the Argentina Mine Workers’ Union) in 2016, specific employment levels are defined and employees can only enter a new role at a higher level if they meet specific predefined criteria. This criteria includes time and experience at a particular level, demonstrated skills capability (determined by exam), and availability of roles at a higher level.

In 2018 we will work with AOMA to finalise a standardized training plan for our unionised employees which supports the employment development pathways set out in the agreement.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Training Hours/Employee*</td>
<td>296</td>
<td>266</td>
</tr>
<tr>
<td>Investment (USD) in Training &amp; Development**</td>
<td>$120,000</td>
<td>$109,000</td>
</tr>
<tr>
<td>% of roles filled by internal candidates</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

*In addition to standard technical training provided during work hours, we also provide additional classes and courses outside working hours for those employees who are on rotation and based at site. Employees take these courses voluntarily on an evening after finishing their work. The training hours are calculated based on both these forms of training.

**Third party suppliers and equipment.

We are proud of the skills and capabilities we have developed, and continue to develop, within our local workforce. As new projects develop in the region, we are equally conscious of the need to retain our skilled and competent workforce, and so are complementing our development programs with initiatives that support employee engagement, including family and lifestyle benefits.
Retention Rates

New hires

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Local</th>
<th>Regional</th>
<th>National</th>
<th>International</th>
<th>&lt;30</th>
<th>30 - 50</th>
<th>&gt;50</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>40</td>
<td>2</td>
<td>27</td>
<td>6</td>
<td>8</td>
<td>1</td>
<td>24</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>95%</td>
<td>5%</td>
<td>64%</td>
<td>14%</td>
<td>19%</td>
<td>2%</td>
<td>57%</td>
<td>38%</td>
<td>5%</td>
</tr>
<tr>
<td>2016</td>
<td>50</td>
<td>5</td>
<td>9</td>
<td>22</td>
<td>22</td>
<td>2</td>
<td>23</td>
<td>27</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>91%</td>
<td>9%</td>
<td>16%</td>
<td>40%</td>
<td>40%</td>
<td>4%</td>
<td>42%</td>
<td>49%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee Initiated</th>
<th>Company Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>+</td>
<td>28%</td>
</tr>
<tr>
<td>2016</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>11%</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td>+</td>
<td>41%</td>
</tr>
</tbody>
</table>

100% of our workforce receive Professional Development Reviews

Developing and retaining our workforce for the long term has always been a key focus for us, and it will become increasingly more significant in future years as other large-scale operators move into the region.
We have a unionized workforce, and as such salaries are standardised based on function, regardless of sex, age or any other characteristic.

In 2016, we undertook a salary review and benchmarking activity to ensure our salaries were appropriate in relation to the local market.

We discovered that our operational salaries were below the industry average so increased the salaries of our operational roles at all levels to be competitive in the local market and to enhance retention of our operational staff in future.

As a result, because there are more men than women in operational roles across all levels of the organisation, our gender based salary ratios have increased.

To promote diversity and encourage work life balance for female employees, we provide tailored rosters to respect breastfeeding schedules, and also cover the costs of day care for children under 3 years to facilitate the return to work after maternity leave.
## Parental Leave

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees eligible for Parental Leave</th>
<th>Returned after 6 months</th>
<th>Employees who took Parental Leave</th>
<th>Retained after 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>13</td>
<td>100%</td>
<td>8/5</td>
<td>100%</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
<td>100%</td>
<td>2/3</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>2</td>
<td>100%</td>
<td>2</td>
<td>100%</td>
</tr>
</tbody>
</table>
STRENGTHENING SYSTEMS AND PROCESSES

Strengthening our systems and processes to enhance our operational efficiency

2017 has been a year of consolidation for Orocobre’s Sales de Jujuy operations. In the first year of production, our lack of rigid operational systems and processes enabled us to adapt and modify our approach in response to operational realities. Given the unique nature of our operations, this flexibility was critical and enabled us to learn and respond quickly and effectively to operational realities. Now that we have solidified our understanding of these realities, we are better placed to establish systems and processes that promote operational efficiency.

A priority in this stage of our development is in developing Best Practice systems and processes. This includes the alignment of our health and safety, environment, and quality management systems with our broader operational processes to enhance efficiencies and ensure effective management and measurement of performance.

High Performance Organisation

Orocobre is firmly committed to ensuring high performance across our operations, and has undertaken various initiatives in 2017 to achieve this end.

As part of the Operational Excellence program launched by our People Development Team in 2017, we trained and deployed a series of Continuous Improvement teams to identify and promote best practice operational systems and processes across our operations.

Sales de Jujuy’s Continuous Improvement System has been a cornerstone of the project’s success to date and forms a critical component of our performance management on site. This system not only stores all relevant project-related documentation, including processes, controls and performance standards, but also provides a portal for the suggestion, evaluation and implementation of process improvement initiatives across all departments.

The continuous improvement system has enabled the project team to deliver significant improvements in social and environmental performance across all operational areas. That said, our ability to effectively track and evaluate the true extent of these improvements will become clearer with the development of a defined performance baseline.

In alignment with our commitment to high performance, we also initiated a Supply Chain Optimisation program to improve the effectiveness and efficiency of our procurement and logistics practices. The program involved several incremental and transformative changes to Sales de Jujuy’s people, systems and processes, and placed a strong focus on alignment and integration with broader organisational systems and priorities.
Prospective Data Systems and Processes

Our data systems and processes enable effective reflective evaluation of our performance across key social, environmental and economic focus areas.

To enhance our operational efficiency moving forward, we need to establish data collection and reporting processes which enable us to more effectively manage and pre-empt performance, rather than just report on it retrospectively.

While we have certified management systems in place for health and safety, environment, and quality, the metrics and reporting requirements to maintain ISO certification are not necessarily the most appropriate indicators of performance against our strategic objectives, nor are they representative of the information that is requested by our stakeholders.

An initial review of our data systems and processes has highlighted various inconsistencies in terms of defined metrics, reporting periods, and boundaries between our operational and corporate teams. Ensuring alignment in our reporting approach, and in our data collection systems and processes, will greatly enhance our ability to track performance and drive operational efficiencies in future.

We are aware that the data currently prepared and presented for our internal and external reports, has not been subject to a rigorous assurance process and therefore may not be as robust, replicable and reliable as it could be. It will therefore be a priority to ensure that our systems and processes for sustainability data collection are validated and assured.
Systematising collaborative approaches to problem solving and continuous improvement

In the transition from development to operations, we noticed that departmental silos were becoming more entrenched and that we were losing our collaborative approach to planning and decision making. Certain concepts were implemented that resulted in detrimental impacts for other areas as they had not been determined by collaborative process.

In a bid to reinforce and systematise our collaborative approach to problem solving and continuous improvement, we instigated a series of systems and measures to enhance cross-departmental transparency and support collaborative decision-making.

Transparency

To enhance transparency of activities and initiatives taking place across the organisation, daily cross-department meetings were instigated with compulsory representation and presentation by each department on their specific priorities and focus areas. This meeting increases visibility of specific departmental initiatives which could impact or benefit from the activities of other departments. It also contextualises the broader scope of operations for participating employees.

Outcomes of this process include enhanced health and safety performance, as our medical team were able to more effectively communicate the nature of recurring injuries, enabling operational safety and communication teams to implement targeted training programs and awareness campaigns to minimise incidence of medical injuries.

Organisational Alignment

To promote and systematise collaboration, and ensure all operational teams and departments were working toward the same goals, we also revised our Performance Review process to align individual and team work plans and KPIs to broader organisational objectives.

This process required a clear definition of cross-departmental and organisational objectives which were collaboratively developed and approved by all departments. It also enabled us to implement a Balanced Scorecard approach to performance evaluation, which supported the inclusion of additional metrics reflecting environmental and social performance.

The new Performance Review process was implemented in 2017 and has proved successful in promoting collaboration within and across departments, and for effectively evaluating individual performance and development opportunities.

With collaborative systems and processes in place across the organisation, we will now seek to explore opportunities to drive social and environmental performance through shared objectives and performance indicators.
Culture
CULTURE MANAGEMENT

Reinforcing our values and culture

Guiding Principles

**Responsibility**
We assume responsibility for our actions and commitments

**Honesty**
We behave and engage with sincerity and consistency

**Integrity**
We act with integrity in every situation

**Respect**
We recognize and promote all without distinction of age, sex or position, maintaining attitudes and actions that help our community and improve our environment

**Commitment**
We convert our different opinions into shared convictions to achieve a common vision

**Solidarity**
We strive for the common good, acknowledging that we are all responsible for our collective wellbeing

Code of Conduct

Orocobre’s code of conduct defines the standard with which our Board, Management and employees are to comply when dealing with each other, with shareholders and with the broader community. It affirms our commitment to human rights, to the ideal of equal employment opportunity, and to providing a safe workplace that is free of harassment and discrimination.

In accordance with the Code, Orocobre’s Board and Management comply with all legal obligations and act ethically and responsibly in all their dealings. We take a strong stance against corruption in all its forms, including extortion and bribery, and have had a zero-tolerance approach to corruption since the initiation of our activities in Argentina. We acknowledge that bribery and corruption can occur at all levels of the organisation and across all departments and dealings, both internal and external, and are working to systematically embed our zero tolerance policy.

We respect and value the competitive advantage of diversity and the benefit it brings to our organisation, recognising that diversity enriches our perspective, improves corporate performance, increases shareholder value and maximises the probability of us achieving our goals. Our operations in Argentina boast a diverse workforce in terms of culture and gender, and we look forward to further strengthening this diversity in future.

We act with honesty, integrity and fairness in all dealings with the community. We respect the cultural heritage of our local and indigenous communities, and act responsibly towards the environment, acknowledging the strong connection between land and peoples.

Any non-compliance with the code of conduct is reported directly to the Chief Operating Officer, Managing Director or Chairperson, as appropriate, and may result in disciplinary action. There is a whistle-blower program in place across all our operations, enabling anonymous reporting of breaches at all levels of the organisation.
FOSTERING A SAFETY FOCUSED WORK CULTURE

Fostering and sustaining a safety-focused work culture

Orocobre fosters a “zero harm” approach when it comes to the safety of our employees and project contractors. Our goal is to continuously improve the reporting of workplace risks and reduce the number of workplace incidents.

Developing the engagement and commitment of our local employees and contractors to workplace health and safety has been a long and focused journey. The introduction of zero tolerance policies has required associated cultural change programs and a strong awareness and appreciation of the traditional cultural influence on safety performance.

Management of Health and Safety Performance

Sales de Jujuy has a certified OHSAS 18001 Occupational Health and Safety Management System.

Health and Safety are managed separately by our People Development and Risk teams respectively. People Development manage the medical teams and services on site, while our Risk team is responsible for the effective monitoring and reporting of safety related risks and incidents.

At Orocobre, we consider safety performance a shared responsibility. As such, we have several committees focused on the promotion and oversight of safety performance across the organisation.

Our Management Committee – comprised of representatives from the operational management team – is responsible for reviewing and evaluating safety indicators and performance.

Our two Operational Committees (one for each roster) is comprised of employee and union representatives, and each Committee meets monthly to evaluate safety conditions, and identify and record improvement initiatives. Improvement initiatives are entered into the Continuous Improvement system and assigned an owner and action timeframe.

Our entire workforce, employees or contractors, are covered by our health and safety management system and are included in our performance improvement initiatives.

Future Commitments

- **Zero** fatalities
- **Target zero** harm
Hand Injuries

The collaborative engagement between our medical teams and operational safety teams was critical to our strong safety performance in 2017.

Through our collaborative, cross-departmental briefings, it was highlighted by our People Development department that the medical team had been receiving an increasing number of critical hand injuries.

An operational review was conducted and our Safety Committees were tasked with identifying areas of highest risk with regard to hand injuries across various operational areas.

Improvement initiatives were identified and entered into the Continuous Improvement system for implementation. Our Communications department was equally engaged to run targeted awareness-raising campaigns for all operators working on high-risk tasks.

The initiatives were successful, and the number of total hand injuries dropped significantly following implementation of the campaign, with critical injuries reduced to zero.

Altitude Sickness

Olaroz Lithium Facility is located at approximately 4,000 metres above sea level. As such, employees, suppliers and visitors to site are at risk of suffering altitude sickness due to lack of ambient pressure and relative oxygen. Symptoms of altitude sickness can include headache, vertigo, shortness of breath, nausea, and drowsiness.

All employees, suppliers and visitors to site are briefed on the signs and symptoms of altitude sickness prior to arrival. Oxygen-checks are conducted by the medical team on people who are new to site and/or feeling the effects of altitude. Oxygen is readily available as an immediate response measure, with further observation and potential relocation of those who continue to experience symptoms.

The majority of our workforce is from the local region and therefore accustomed to living and working at high altitude. Workers, contractors or visitors from outside the region are the most at risk given that their bodies are not accustomed. These stakeholders are encouraged to allow sufficient time to adjust to the altitude prior to, and following, their arrival at site.
HEALTH AND SAFETY PERFORMANCE

Minimising the number of incidents and improving our overall safety performance is a constant focus and priority for Orocobre. The decrease in the Total Recordable Injury Frequency Rate (TRIFR) from 2016 to 2017 for both employees and contractors at SDJ is an indication of our commitment to continuous improvement in this space.

Deeper analysis of our Health and Safety Data has highlighted several trends that we will seek to address in 2018.

Firstly, we have identified an elevated level of Lost Days due to non-work related ailments.

The health and wellbeing of our employees is a priority, and this extends beyond their safety in the workplace. It equally encompasses their overall health and vitality, and ensuring they are fit to work.

Acknowledging the breadth of health-related issues contributing to lost days (intestinal, musculoskeletal, dermatological, ophthalmological) we will be working with our site-based teams to identify ways in which we can support our employees to manage their health and wellbeing on and off-site. We will equally be working with our medical teams to define reasonable limits for specific ailments to minimise unnecessary absences.

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Lost days

Deeper analysis of our Health and Safety Data has highlighted several trends that we will seek to address in 2018.

Firstly, we have identified an elevated level of Lost Days due to non-work related ailments.

The health and wellbeing of our employees is a priority, and this extends beyond their safety in the workplace. It equally encompasses their overall health and vitality, and ensuring they are fit to work.

Acknowledging the breadth of health-related issues contributing to lost days (intestinal, musculoskeletal, dermatological, ophthalmological) we will be working with our site-based teams to identify ways in which we can support our employees to manage their health and wellbeing on and off-site. We will equally be working with our medical teams to define reasonable limits for specific ailments to minimise unnecessary absences.
Secondly, we have noticed an increase in the number and consistency of first aid injuries. While are pleased to report that our lost time injuries remain low – in fact we have established a new record for incident-free days given our successful safety performance in 2017 – the increasing level of first aid injuries is an issue that will be investigated further in 2018.

Lastly, as mentioned previously, altitude presents a unique and significant health risk for those that are working on site at Olaroz. Remaining vigilant to the signs and symptoms of altitude sickness is critical for the safety of our workforce and visitors to site.

While we have had no incidents relating to altitude among our workforce, some of our visitors have experienced difficulties on site and been treated and transported to Jujuy.

In addition to ensuring the safety of our workforce, we also offer health programs for our employees including dentistry, ophthalmology, cardiology and paediatric services. We also encourage employee fitness and wellbeing through provision of gym facilities and membership subsidies.
We uphold the Brundtland Report’s definition of Sustainable Development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs, acknowledging the essential needs of the world’s poor to which overriding priority should be given.”

Respecting and prioritizing people and environment, we produce minerals that enable the global transition to a clean energy future, whilst socially and economically empowering communities in the regions where we operate.
We are committed to advancing the UN Sustainable Development Goals (SDGs) through our products, the effective management of our operations, and strategic community investment in the regions in which we operate.

**Operations**

Our operational commitments to Sustainable Development are the responsibility of all our teams, including Operations, Supply Chain and Logistics, Human Resources and Shared Value.

We set clear environmental and social objectives and foster a culture of collaboration and continuous improvement to drive progress in our operational contribution to sustainable development.

**Community**

Our Shared Value team is responsible for the management and implementation of our Community Investment Strategy, which defines our approach to managing, monitoring, and reporting our performance against our community-based Sustainable Development commitments.

**Products**

There are multiple uses for our products, and we service a wide range of customers in an extensive value chain. While we can not necessarily trace the exact end-use of each of our sales, we can extrapolate information from the product and service base of our clients to provide an evaluation of the contribution of our product to Sustainable Development Goals.

The following provides an overview of our commitments and contributions to the UN SDGs, based on our current footprint, activities, and initiatives delivered in collaboration with the government and local communities.

**No poverty**

Empowering local communities through financial inclusion, microfinance and effective management of natural resource benefits

**Zero Hunger**

Supporting agricultural producers in the regions in which we operate to overcome climate challenges and establish sustainable production systems

**Good health & well-being**

- Protecting the health, safety and wellbeing of our people
- Promoting the health and wellbeing of our local communities
Quality education
- Providing ongoing training and development for our workforce
- Supporting primary, secondary and entrepreneurial education for our communities

Gender equality
- Ensuring gender diversity in our workforce and along our supply chain
- Empowering women in our communities to engage, develop and lead

Clean water & sanitation
- Reducing water consumption and managing water-related ecosystems
- Promoting greater community access to clean water and sanitation

Affordable & clean energy
- Providing the lithium required to enable transition to a low carbon future
- Exploring opportunities for renewable energy generation at our operations
- Supporting the provision of clean and affordable energy to our communities

Decent work & economic growth
- Prioritizing local employment and engaging and developing local suppliers
- Stimulating entrepreneurship and economic growth in the local communities

Industry, innovation & infrastructure
- Innovating and upgrading to ensure sustainable, efficient and resilient operations
- Providing local communities with internet access
Reduced inequalities

Providing income strategies for our communities through local employment, local procurement, and community empowerment

Sustainable cities & communities

Respecting and preserving cultural and natural heritage across all aspects of our operation

Promoting the resilience of people and built environment within our local communities

Responsible consumption & production

Ensure efficient use of natural resource, effective waste management, sustainable procurement practices, and regular sustainability reporting and non-financial accountability

Climate action

Ensuring operational resilience and adaptive capacity to climate-related events

Supporting the resilience and adaptive capacity of our communities to climate-related events

Life on land

Protecting the biodiversity of the regions in which we operate and ensuring responsible rehabilitation of the land

Partnerships for the goals

Establishing solid relationships with governments, communities and developing multi-stakeholder partnership in response to shared sustainable development challenges

Goals 14 (Life Below Water) and 16 (Peace, Justice and Strong Institutions) are not included as they have no relevance within the context of our operations.

Our progress and performance will be reported annually in our Corporate Sustainability Report.
Governance

Orocobre’s Board comprises seven Directors: six Independent Non-Executive and our Managing Director and Chief Executive Officer. Each of the Board’s Committees – Audit and Risk Committee, and Remuneration Committee – are made up of three Independent Non-Executive Directors*.

In addition to these Directors, Orocobre also has three Key Management Personnel (KMP) who have the authority and responsibility for planning, directing and controlling the activities of the organisation. These are the Chief Financial Officer, General Counsel and Chief Operating Officer.

Orocobre’s Governance Framework, including the code of conduct, charters for the operation of the Board and its committees, and other matters relevant to the Governance Framework, are fully disclosed on Orocobre’s website.

In summary:
The Audit and Risk Committee is responsible for monitoring public reporting, risk management processes, corporate conduct and compliance with laws and regulations. Identifying stakeholders and associated risks, and reviewing the effectiveness of communication regarding risk to those stakeholders is also a core component of the Audit and Risk Committee’s responsibilities.

The Remuneration Committee works to develop remuneration policies which motivate Directors and Management to pursue long-term value creation. This ensures the focus of the Orocobre management team on those areas of sustainable development key to long-term value creation.

*Detailed information regarding Board Composition, attendance and Committee Charters can be found in our 2017 Annual Report – Directors’ Report.
Performance against our strategic objectives and our commitment to Sustainable Development is managed at all levels of the organization via our Balance Scorecard, which comprises four core categories:

**Economic / Financial**
Includes issues related to sales, investments, costs, income and expenses and returns to shareholders.

**Continuous improvement**
The virtuous circle of planning-action-review which applies to performance of people, process, and equipment across all areas of our operations.

**Customer**
Relates to the satisfaction of our customers and future customers.

**Sustainability**
Pursuing best practice in production, community engagement, resource utilization, health and safety, quality and environment. These elements ensure first rate operations and are fundamental to the pursuit of excellence.

The remuneration policies of Orocobre and its application to Key Management Personnel were fully disclosed in the 2017 Annual Report. Incentive plans are biased to the long term and share price appreciation rather than short-term cash rewards. The short-term incentive incorporates a range of specific KPIs combining production, financial and sustainability goals as follows:

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<td></td>
<td>CEO</td>
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<tr>
<td>Olaroz – Achieve a defined all-inclusive FOB Operating Cost during FY2017</td>
<td>18%</td>
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<td>Borax Argentina – Achieve positive EBITDA for FY2017</td>
<td>18%</td>
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<tr>
<td>Olaroz – Achieve a defined quality % of Lithium Carbonate within specification</td>
<td>18%</td>
</tr>
<tr>
<td>Olaroz – Produce a defined number of tonnes of Lithium Carbonate during FY2017</td>
<td>18%</td>
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<tr>
<td>Sustainability (Safety, Community, Environment, Permits)</td>
<td>18%</td>
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<tr>
<td>Discretionary¹</td>
<td>10%</td>
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</table>

**TOTAL**

100% 100%

The discretionary component is due to the highly dynamic nature of the business and performance expectations at this stage of the Company’s development.
Risk and Opportunity Management

We continue to identify and monitor the social, environmental and economic risks and opportunities associated with our activities, and implement actions and initiatives accordingly.

We acknowledge that many of these risks and opportunities are dependent on, or affected by, third party activity – be it government, suppliers, or other operators in the region.

As such, a central component to our risk and opportunity management approach lies in regular and proactive engagement with third parties.
Like our commitment to Sustainable Development, we acknowledge that these risks and opportunities arise in relation to our operations, our communities, and our products.

## Environment

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<td><strong>Low carbon operations</strong></td>
<td><strong>Environmental impact on production</strong></td>
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<tr>
<td>Reduce energy consumption per unit of production.</td>
<td>Increase operational buffers. Prioritise process innovation to mitigate impact of climate on production.</td>
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<tr>
<td>Manage / mitigate associated emissions.</td>
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<tr>
<td><strong>Environmental impact on communities</strong></td>
<td><strong>Perceptions of our impact on environment</strong></td>
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<tr>
<td>Develop and leverage strong local partnerships to enhance community access to clean and affordable energy, clean water, and biodiversity.</td>
<td>Enhanced communications; Community participation in environmental monitoring.</td>
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<tr>
<td><strong>Low carbon future</strong></td>
<td><strong>Environmental impact on distribution</strong></td>
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<tr>
<td>Produce battery grade lithium for clean transport options and energy storage.</td>
<td>Identify, evaluate and mitigate climate risk along our value chain.</td>
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</table>
### Social

**Diversity**
- Promote diversity in employee/supplier training and selection.
- Responsive benefits, and work-life balance arrangements.

**Community development**
- Work with government to support and complement development initiatives.
- Implement strategic community investment strategy to ensure enduring Shared Value.

**Enhance supplier performance**
- Deliver training and compliance programs for our suppliers.

**Capacity Building**
- Identify capability gaps, provide training and development programs.

**Health and Safety**
- Health and safety management system (ISO18001), reporting and training programs.

**Industrial Action**
- Work closely with AOMA and maintain focus on employee engagement and satisfaction.

**Employee Retention**
- Monitor voluntary turnover rates.
- Promote employee satisfaction.

**Managing Community Expectations**
- Open and honest engagement with our communities; direct community agreements; community involvement in the project; and shared ownership of project outcomes.

**Community Safety**
- Community training and awareness; increased signage; supplier standards and community whistleblowers.

**Customer Satisfaction**
- Rigorous product quality testing.

**Industrial Action**
- Contingency measures in place to ensure alternate import/export routes.
We realise that some of these challenges are going to require a long-term approach, while others we can start to address immediately. We also acknowledge that this is only our second year of production and as such there is still much to learn, adapt and refine over the coming years.

While we may not have all the answers now, we are firmly committed to effectively minimising and mitigating these risks (and any others that may arise), and capitalising on opportunities to deliver transformative societal change, be it in the support of global energy transitions, or local socio-economic development.
Memberships and Affiliations

In addition to its current involvement with industry bodies and associations, Orocobre is seeking to align with recognised external initiatives that will support a robust and holistic approach to sustainability management and disclosure.

Orocobre operates in accordance with industry standards, and maintains certified management systems for Environment, Quality and Health & Safety.

External Initiatives

- UN Global Compact
- World Business Council for Sustainable Development
- Consejo Empresario Argentino para el Desarrollo Sostenible
- LBG Measuring Community Investment
- CAEM Cámara Argentina de Empresarios Mineros
- CDP Driving Sustainable Economies
- ALABC Australia-Latin America Business Council
- ROBECOSAM We are Sustainability Investing.
- EITI Extractive Industries Transparency Initiative
- IRMA Initiative for Responsible Mining Assurance

Memberships & Associations

- ISO 14001
- OHSAS 18001:2007
- ISO 26000

Management Systems

Certified

- ISO 31000 Risk-Management

Other
# GRI Index

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<td>404-1 Average hours of training per year per employee</td>
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<td>Ratio of basic salary and remuneration of women to men</td>
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