



CORPORATE GOVERNANCE STATEMENT 2019

Incitec Pivot Limited

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**INNOVATION
ON THE GROUND**



Corporate Governance Statement

Incitec Pivot Limited (**IPL** or the **Company**) is committed to achieving and demonstrating the highest standards of corporate governance. The Board has implemented, and operates in accordance with, a set of corporate governance principles which the Board sees as fundamental to IPL's continued growth and success and the achievement of its corporate ambition and strategy.

The Board continues to review IPL's corporate governance framework and practices to ensure they meet the interests of shareholders and are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**ASX Recommendations**). This Corporate Governance Statement outlines the key aspects of the corporate governance framework that has been established by IPL and its group companies (the **Group**) and its compliance with that framework for the reporting period ended 30 September 2019. The Board considers that the Group's corporate governance framework and practices have complied with the ASX Recommendations throughout the financial year.

Summaries or copies of the charters, policies and codes referred to in this Statement are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

This Corporate Governance Statement is current as at 22 November 2019 and has been approved by the Board.

Principle 1: Lay solid foundations for management and oversight

Role of the Board

The Board of directors of IPL is responsible for charting the direction, policies, strategies and financial objectives of the Company. The Board seeks to serve the interests of the Company and its shareholders, as well as IPL's other stakeholders such as employees, customers and the community, in a manner designed to create and continue to build sustainable value for the Company.

The Board operates in accordance with the principles set out in its Board Charter. The Charter sets out the Board's own responsibilities and activities, as well as the matters it has reserved for its own consideration and decision-making.

The Board Charter has specifically reserved a number of key matters for consideration and decision by the Board. These responsibilities include:

- *Direction and objectives* – approving the Company's corporate strategy and budgets;
- *Compliance* – monitoring compliance with laws, governmental regulations and accounting standards;
- *Ethical matters* – monitoring and influencing IPL's culture and implementing procedures and principles to promote ethical and responsible decision-making and confidence in IPL's integrity; and
- *Managing Director & CEO and direct reports* – appointing the Managing Director & CEO, approving the appointment of the direct reports to the Managing Director & CEO, monitoring management's performance and reviewing executive succession planning.

Role of the Managing Director & CEO and management

Day-to-day management of IPL's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated to the Managing Director & CEO. The Delegated and Reserved Powers Policy details the authority delegated to the Managing Director & CEO, including the limits on the way in which the Managing Director & CEO can exercise that authority. A summary of the Delegated and Reserved Powers Policy is available on the Company's website.

Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following four standing Committees:

- the Nominations Committee;
- the Audit and Risk Management Committee;
- the Health, Safety, Environment and Community Committee; and
- the Remuneration Committee.

The Board Charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters.

Each of the Committees has its own Charter which establishes the Committee's terms of reference and operating procedures.

In line with the Board Charter and each Committee's respective Charter, each Committee is to review its performance at least annually, review its Charter from time to time (and recommend any changes to the Board) and report regularly to the Board as to its activities.

The Board Charter and each Committee's respective Charters are available on the Corporate Governance section of the Company's website.

Nominations Committee

Details of the Nominations Committee are set out under the heading "Principle 2: Structure the Board to add value".

The current members of the Nominations Committee are Brian Kruger (Chairman), Rebecca McGrath and Bruce Brook.

Audit and Risk Management Committee

Details of the Audit and Risk Management Committee are set out under the heading "Principle 4: Safeguard integrity in corporate reporting".

The current members of the Audit and Risk Management Committee are Bruce Brook (Chairman), Brian Kruger and Rebecca McGrath.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee has a Charter approved by the Board.

The Committee was established in February 2007 to assist the Board in discharging its overall responsibilities in relation to health, safety, environment and community matters arising out of the Company's activities as they may affect employees, contractors and the local communities in which it operates.

The Charter provides for the Committee to comprise at least four members, three of whom will be non-executive directors and one of whom will be the Managing Director & CEO. The current members of the Committee are Rebecca McGrath (Chairman), Kathryn Fagg AO, Joseph Breunig and Jeanne Johns.

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The Committee is to meet as frequently as required but not less than four times a year. The attendance of the members of the Health, Safety, Environment and Community Committee at each meeting held during the financial year ended 30 September 2019 is set out on page 36 of the Annual Report.

Remuneration Committee

Details of the Remuneration Committee are set out under the heading "Principle 8: Remunerate fairly and responsibly".

The current members of the Remuneration Committee are Kathryn Fagg AO (Chairman), Brian Kruger and Bruce Brook.

Board meetings

Details of the Board meetings held during the financial year ended 30 September 2019 are set out on page 36 of the Annual Report.

The Board holds eight scheduled meetings during each year, plus any additional meetings that may be necessary to address any significant matters, as and when they arise.

Materials for Board meetings are circulated to directors in advance. The agendas for meetings are formulated with input from the Managing Director & CEO and the Chairman. Directors are free to nominate matters for inclusion on the agenda for any Board meeting. Presentations to the Board are frequently made by executives and senior management, and telecommunications technologies may be used to facilitate participation.

Checks and information on directors

Before appointing or putting forward a person as a candidate for election, the Company conducts appropriate background and reference checks on the relevant person. Prior to any director's election or re-election by shareholders, the Board includes details of the director's background in the notice of meeting relevant to a decision on whether or not to elect or re-elect a director.

Agreements with directors and senior executives

The Company engages all non-executive directors by a letter of appointment setting out the key terms and responsibilities of their role.

The Company has entered into employment contracts with each of its senior executives. Details of these contracts are set out in the Remuneration Report contained in the Annual Report.

Company Secretary

During the year, Ms Jennifer Neoh resigned as Acting Company Secretary on 8 March 2019. The Board appointed Ms Tamara Kayser as the interim Company Secretary from 8 March 2019 to 7 August 2019, and Ms Richa Puri was appointed to the role of Company Secretary from 8 August 2019. The Company Secretary is responsible for assisting the Chairman in developing and maintaining information systems and processes that are appropriate for the Board to fulfil its role and to achieve IPL's objectives. The Company Secretary is also responsible to the Board for ensuring that Board procedures and the Constitution are complied with. The Board appoints and removes the Company Secretary and the Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Board and director performance evaluations

As provided for by the Board Charter, the Board undertakes a performance evaluation each year. The process for the review of the Board's performance and the evaluation of individual directors' performance is overseen by the Chairman and the Nominations Committee. Performance assessments are intended to assist the Board in carrying out its responsibilities (as set out in its Charter) and ensure the Board remains effective.

A comprehensive review of the performance of the Board and the Committees took place in the second half of 2018. This review was externally facilitated by an independent consultant, and was undertaken in the context of the Company's strategic agenda and priorities. The review included one-on-one interviews conducted by the consultant with each non-executive director and members of senior management, and a review by the consultant of the Company's Board and Committee papers, strategy and governance documentation. A report on the outcomes and feedback received from the interviews as they related to the Board and the Committees was prepared by the consultant and provided to the Board. The general conclusion from the report was that the Board and the Committees were functioning well. The Board reviewed and discussed the outcomes and feedback in the report, including actions to be taken in response to specific recommendations arising from the report in the 2019 financial year.

In addition to the above, Brian Kruger's performance was evaluated as part of his appointment as Chairman of the Board effective 1 July 2019.

For directors who are retiring and standing for re-election at the annual general meeting, their performance is reviewed as part of their nomination for re-election.

Senior management performance evaluation

As part of the Board's oversight of executive management, the Board monitors and evaluates the performance of the Managing Director & CEO and his or her direct reports.

All IPL executives are subject to annual performance reviews. The annual review involves each executive being evaluated by his or her immediate superior, the Managing Director & CEO. The executive is assessed against agreed performance objectives, including business/financial/operational targets, functional/managerial goals and personal accountabilities.

The performance evaluation of the Managing Director & CEO is conducted by the Chairman. This evaluation involves an assessment of a range of performance standards as determined by the Board, including assessing performance with regard to execution of the strategic objectives and the overall performance of the Company, and also incorporates feedback from the other directors.

Performance evaluations for the 2019 financial year were conducted in the final quarter of the 2019 calendar year in accordance with the process outlined above.

Diversity

IPL's commitment to diversity is integral to its corporate ambition of generating future earnings growth and increasing shareholder returns. With operations spanning the globe, IPL recognises that a diverse and inclusive workforce will translate into improved business performance.

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Diversity at IPL is led by the Executive Team. The Board maintains oversight and responsibility for the Diversity Policy and the development and implementation by management of the Diversity Strategy.

The Company's Diversity Policy is available on the corporate governance section of the Company's website. The Diversity Policy outlines the Company's Diversity Vision, which is to be an inclusive and accessible organisation through the development of a culture that embraces diversity.

The Diversity Policy includes three key principles which were established to provide guidance for the Company's Diversity Strategy and its relevant policies, programs and initiatives:

- "Shaping our Future Organisation";
- "Respecting our Differences"; and
- "Building a Flexible Organisation".

IPL believes that a diverse and inclusive business with the right people in the right roles inspired to deliver, will provide an engaging workplace and enable achievement of our business objectives. Our aim is for a workforce that is representative of our markets and communities across our global organisation. Diversity of people and perspectives is an essential enabler of innovation and collaboration across IPL for all our stakeholders.

The Company was selected for the 2019 Bloomberg Gender-Equality Index (GEI) which distinguishes companies committed to transparency in gender reporting and advancing women's equality. The inclusion in the Global GEI demonstrates publicly the Company's commitment to diversity and inclusion in the workplace.

During 2019, we've continued to progress toward IPL's measurable objective in relation to gender – to achieve a participation rate of 25% women by 30 September 2022, and to a commitment to provide meaningful employment for Indigenous Australians with a goal of a 3% employment rate.

In 2019, to build on the progress made over past years, the Executive Team undertook a review of the Company's Diversity and Inclusion strategy. A simplified global strategy framework with actions to drive demonstrable and definite growth trend line in our gender and diversity outcomes, was endorsed.

- Attraction – focused on actions that attract diverse talent for our business today and for future growth;
- Inclusive Behaviours and Culture – upon finding and hiring diverse talent into the company, we lead and behave in a way in which all can contribute and thrive;
- Retention and Development – investing in the growth and development of IPL's diverse and talented people.

Our former principles, and underpinning systems have been incorporated, with all relevant ongoing actions and initiatives continuing within our new strategy framework.

Our progress in 2019

	FY18	FY19
Women on our Board	42.9%	50%
Women on our Leadership Teams		
Executive team	22%	30%
Senior Management	16.70%	22%
Women in Professional/Management roles	18.9%	19.5%
Global*	15.9%	17.2%
Indigenous Australians	2.6%	3%

* Includes all IPL's geographies.

In order to annualise our 2022 gender diversity target, we seek to track to 10% year-on-year increase in gender employment. In 2019, notable increases were in our US business, where gender diversity has seen a 9.5% improvement during 2019. In our Indonesian business, we have seen a significant improvement in gender participation from 6.55% to 13% over the last 2 years.

Consistent with 2018, IPL received confirmation from the Workplace Gender Equality Agency in Australia that it was compliant with the Workplace Gender Equality Act 2012 (Cth) (WGEA). With a female gender composition of 23% in Australia, we are progressing toward achieving our 2022 objective.

While we have made progress toward our measurable objectives and have made good progress in management and professional roles, we are putting focus on achieving increased diversity in our site based operational roles which have historically low levels of women, including a significantly smaller market for women holding trades qualifications.

Strategy actions FY19

During 2019, a key action within the revised strategy has been to implement OneIPL Diversity talent expectations to underpin achievement of our measurable objectives. These are designed to support sourcing and selecting diverse teams, avoiding bias in all talent decisions during hiring, development and promotion role moves, and succession. These enable practical demonstration of leadership commitment and accountability to developing a diverse and inclusive culture and expand existing areas of good practices across all of IPL.

Set out below are the strategy framework, key actions and performance against these during 2019.

Strategy & Objectives	Key Actions & Outcomes
Attraction <ul style="list-style-type: none"> • Improve attraction in Engineering/ Operations roles • Broaden sources of diverse talent 	<ul style="list-style-type: none"> • Reviewed and amended current sourcing approaches and profile in the diverse candidate market in all geographies, • Female attraction rate has increased by 25% in our US business • Introduced front line trainee programs in Manufacturing to reduce reliance on experienced trade qualified candidates, to increase the gender diverse candidate pool • Appointed the first ever female recipient of our annual Quarry Academy scholarship in the US
Inclusive Behaviours and Culture <ul style="list-style-type: none"> • Leadership accountability • Encourage inclusion of diverse talent representative of our markets • Demonstrate diversity in our communities 	<ul style="list-style-type: none"> • Introduction of the OneIPL Diversity Talent Expectations • Revised monitoring and reporting through monthly dashboards in support of improving visibility of progress • Introduced the American Australian Association (AAA) Veteran's Scholarship program. The Scholarship and Internship program provides a pathway for continual professional development for U.S. military veterans. • Achieved common objectives of key stakeholders for gender and Indigenous employment

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Strategy & Objectives	Key Actions & Outcomes
Retention <ul style="list-style-type: none"> Talent development and focus on internal promotions 	<ul style="list-style-type: none"> Development plans in place for female high potential talent in place and tracking actions such as role transfers for development 35% of promotions in Management category were awarded to female talent in Australia Expanded the IPL Flexible Work Policy in the Americas 60% increase in women on succession plans, including operational leadership plans
Underpinning systems & core activity <ul style="list-style-type: none"> Gender pay equity Building a flexible organisation Days of Significance 	<ul style="list-style-type: none"> Continued our annual practice of identifying any gender pay equity gaps (other than for known issues reported in 2018). No gender bias found in annual performance ratings Inclusive Behaviour Training conducted in US Manufacturing Undertook a global International Women's Day campaign to support creating a more gender inclusive workforce

Strategy actions FY20

The focus of actions within the strategy framework are designed to further progress towards our measurable objectives.

IPL has registered interest with Reconciliation Australia to develop a new Reconciliation Action Plan (RAP). RAP development ensures IPL's intentions to create opportunities for Indigenous Australians are in accordance with the best practice framework and IPL's public statement of company commitment.

To increase diversity amongst site based roles, interventions that target specific areas of challenge are planned. These include targeting hiring and training in specific skills for IPL's high employment categories, which have low market diversity representation, and will include reviewing role requirements and work processes to enable more diversity hiring. We will continue our successful My Potential Program for mid-management women (and the co-program for their leaders) in support of developing their career within IPL, and to refine underpinning organisation support and infrastructure such as policies, communication and collaboration to increase commitment in support of achieving our measurable objectives.

The Company's Diversity Policy is available on the corporate governance section of the Company's website.

Diversity in the 2020 financial year

For the 2020 financial year, the Board and the Executive Team have affirmed their support for diversity as a core priority, and are committed to the measurable objectives outlined above.

The Company's overall Diversity Program will focus on a suite of proposed actions, aligned with the key principles and objectives. In addition, the Company will continue to focus on ensuring that diversity considerations are built into ongoing activities such that diversity becomes inherent to the way the Company conducts its business.

Principle 2: Structure the Board to add value

Composition of the Board

IPL's Constitution requires that the Company must have not less than three, and not more than nine, directors. Under the Company's Board Charter, the number of directors and composition of the Board is determined having regard to what is appropriate for IPL to achieve efficient and prudent decision making. The Board will consist of a majority of non-executive, independent directors.

The Board currently comprises six directors, including five non-executive directors and one executive director (being the Managing Director & CEO).

The directors were appointed on the following dates:

- Jeanne Johns: 15 November 2017 – Managing Director & CEO
- Rebecca McGrath: 15 September 2011 – independent non-executive director
- Kathryn Fagg AO: 15 April 2014 – independent non-executive director
- Joseph Breunig: 5 June 2017 – independent non-executive director
- Brian Kruger: 5 June 2017 – independent non-executive director (and Chairman of the Board since 1 July 2019)
- Bruce Brook: 3 December 2018 – independent non-executive director.

During the year, Paul Brasher retired as a director and Chairman of the Board on 30 June 2019 and Graham Smorgon AM retired as a director on 20 December 2018 (at the conclusion of the 2018 Annual General Meeting).

The Managing Director & CEO serves as a director until she ceases to be the Managing Director & CEO. The roles of Chairman and Managing Director & CEO are separate.

The ASX Listing Rules require that no member of the Board (other than the Managing Director & CEO) may serve for more than three years without being re-elected by shareholders at an annual general meeting of the Company. In this respect, Kathryn Fagg AO will retire at the 2019 Annual General Meeting and will not offer herself for re-election.

In addition, the Company's Constitution provides that a director appointed by the Board during the year must retire at the next general meeting and is eligible for re-election at that meeting. Dr Xiaoling Liu and Mr Gregory Robinson, whose appointments were announced on 15 October 2019, will join the Board as non-executive directors on 25 November 2019. Xiaoling Liu and Gregory Robinson will be standing for election at the 2019 Annual General Meeting. The Company confirms it engaged an independent third party provider to conduct background checks in relation to Xiaoling Liu and Gregory Robinson prior to her/his appointment with no concerns raised from the checks.

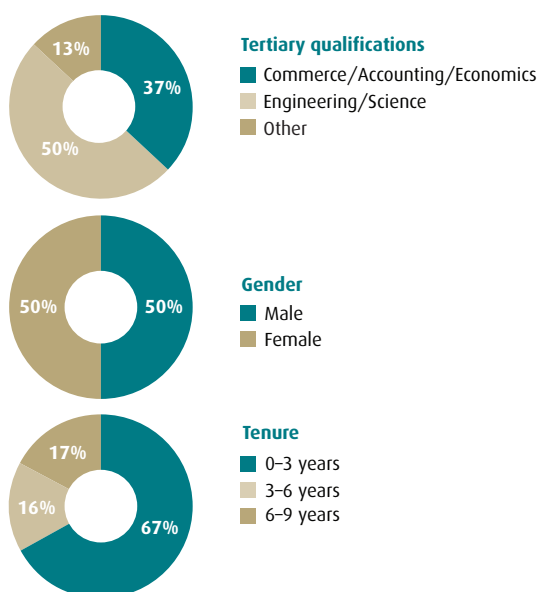
In terms of the mix of skills and diversity which the Board is looking to achieve, the key objective, as prescribed in the Board's Charter, is to have directors with an appropriate range of skills, experience and expertise and an understanding of, and competence to deal with, current and emerging issues in the Company's business. Further, the Board's oversight of both its own succession plan, as well as those for the Managing Director & CEO and her direct reports, is designed to maintain an appropriate balance of skills, experience, expertise and diversity on the Board as well as in management.

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A summary of the directors' skills and experience as relevant to the Company and the diversity of Board membership as at 22 November 2019 is set out below. The Board considers that, collectively, the directors possess an effective mix of skills and attributes, with significant commercial, business, operational and financial skills and experience in a diverse range of industries and geographies.

SKILLS AND EXPERIENCE (out of 6 directors)	
Leadership and governance	
Executive leadership	6
Governance & Risk	6
Strategy	6
Operational experience	
Health and safety	6
Capital projects	6
Acquisitions/integration	6
Industry/sector experience	
Mining/Resources	6
Industrial/Manufacturing	6
Logistics/Supply Chain Management	6
Technical/professional experience	
Finance/Accounting	3
Engineering	4
People	
Human Resources	1
Remuneration	6
General management exposure to international operations in	
Asia Pacific	6
Americas	4
Europe, Middle East & Africa	5

DIVERSITY OF BOARD MEMBERSHIP



The Board keeps the skills matrix and diversity of Board membership under regular review to ensure that it maintains an appropriate mix of diversity, skills and attributes in line with the Company's strategy. The appointments of Xiaoling Liu and Gregory Robinson, as announced on 15 October 2019, followed a comprehensive external process to identify new non-executive directors to enhance the mix of skills, experience, expertise, diversity and other attributes of IPL's existing directors.

Nominations Committee

The Nominations Committee has a Charter approved by the Board.

Under its Charter, the Nominations Committee assists and advises the Board on Board composition, director selection and nomination practices, succession planning for the Board, performance evaluation processes, induction, training and development for directors and strategies to address Board diversity, in each case, to ensure that the Board comprises individuals able to discharge the responsibilities of directors, with the benefit of a range of skills, experience, expertise, perspectives and diversity appropriate for the Group and its businesses and that appropriate succession plans are in place.

As part of the Nomination Committee's role, the Committee is to review and make recommendations to the Board on matters relating to the size and composition of the Board and to assess, from time to time as necessary, or at any time on request of the Board, the appropriate mix of skills, experience, expertise and diversity required on the Board and the extent to which such skills are represented on the Board.

As and when necessary, the Nominations Committee will, having regard to the skills and competencies represented on the Board and the competencies required, implement a process to identify suitable candidates to be non-executive directors on the Board, which may include a search being undertaken by an appropriate third party. The Committee will evaluate prospective candidates and make recommendations to the Board for the appointment of new Board members. When the Board considers that a suitable candidate has been found, that person is appointed by the Board and, in accordance with IPL's Constitution, must stand for re-election by shareholders at the next annual general meeting.

The Committee comprises three independent non-executive directors. The members of the Committee during the financial year were: Paul Brasher (retired as Committee Chairman on 30 June 2019), Brian Kruger (member from 20 December 2018 and Committee Chairman from 1 July 2019), Rebecca McGrath and Bruce Brook (member from 1 July 2019).

The Committee is to meet as frequently as required but not less than two times a year.

The attendance of the members of the Nominations Committee at each meeting held during the 2019 financial year is set out in the Directors' Report contained in the 2019 Annual Report.

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Director independence

The Board comprises a majority of independent non-executive directors.

The Board, excluding the director in question, will regularly assess the independence of each director, in light of any interest disclosed by them. The Board considers all of the circumstances relevant to a director in determining whether the director is independent and free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board and act in the best interests of IPL and its shareholders generally. A range of factors is considered by the Board in assessing the independence of its directors, including those set out in the ASX Recommendations.

In assessing the independence of a director, consideration is given to the underlying purpose behind any relationship a director may have with a third party that is identified as relevant to the assessment and overall purpose of independence.

In determining whether a sufficiently material relationship (as defined in Box 2.3 of the ASX Recommendations) exists between IPL and a third party for the purposes of determining the independence of a director, the Board has regard to all the circumstances of the relationship, including among other things:

- the value (in terms of aggregate and proportionate expenses or revenues) that the relationship represents to both IPL and the third party;
- the strategic importance of the relationship to IPL's business; and
- the extent to which the services provided by or to IPL are integral to the operation of IPL's business, including the extent to which the services provided are unique and not readily replaceable.

The Board considers that each of Brian Kruger, Rebecca McGrath, Kathryn Fagg AO, Joseph Breunig and Bruce Brook is independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular director.

As Managing Director & CEO of the Company, Jeanne Johns is not considered to be an independent director. In summary, of the six directors currently on the Board, the Board considers five directors are independent. The Board further considers the incoming directors Xioaling Liu and Gregory Robinson to be independent when assessed on the criteria listed above.

The Board Charter requires that an independent non-executive director hold the position of Chairman.

Access to information and independent advice

Directors are entitled to full access to the information required to discharge their responsibilities. Subject to obtaining the prior approval of the Chairman, the directors have the right to seek independent professional advice at IPL's expense to assist in carrying out their Board duties.

Director induction, training and continuous education

The Nominations Committee is responsible for developing and reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties.

The Charter for the Committee provides that the induction procedures should enable new appointees to gain an understanding of the Company's financial, strategic, operational and risk management position, the culture and values of IPL, the rights, duties and responsibilities of the directors, the roles and responsibilities of senior executives, the role of Board Committees, meeting arrangements and director interaction.

Additionally, the Committee ensures that continuous education measures are in place to enhance director competencies, keep directors up to date with new developments and enhance directors' knowledge and skills. These measures include visiting the Company's sites to meet with management and gain a better understanding of the business operations, as well as having access to education concerning key developments in the Company and in the industries in which the Company operates.

Principle 3: Act ethically and responsibly

Codes of conduct

IPL is committed to operating to the highest standards of ethical behaviour and honesty, with full regard for the safety and health of its employees, customers, the wider community and the environment.

IPL's Code of Conduct sets out the Company's global code for business conduct. It contains principles and standards of conduct which are based on the Company's values and represents the Company's commitment to uphold ethical business practices and meet applicable legal requirements. The Code applies to all directors, officers and employees of the Company and each subsidiary, partnership, venture and business association (including agents and other contractors) that are effectively controlled by the Company or act on its behalf.

IPL's Code of Conduct outlines the Company's approach in the following five key areas of focus and sets out the principles and behaviour expected in relation to each area of focus:

- (a) *Zero Harm and People* – IPL is committed to the goal of 'Zero Harm for Everyone, Everywhere' and seeks to manage its activities with concern for all persons affected by its operations or products. The Company also respects the rights and dignity of employees throughout its operations and is committed to building an inclusive and accessible organisation through a culture that embraces diversity.
- (b) *Community and Environment* – IPL is committed to managing its activities with concern for the communities in which it operates and the environment, to conducting its operations in compliance with all relevant environmental licenses and regulations, to respecting and protecting land of special cultural heritage value on or near its sites and to identifying and managing the health, safety and environmental performance of its products. Additionally, IPL strives to be a valued corporate citizen in the communities in which it operates.
- (c) *Business integrity* – IPL is committed to a culture of compliance and to acting honestly and with integrity. The Code requires employees to avoid any situation which involves or may involve an actual or perceived conflict between personal interests and the interests of IPL and to comply with the laws of the countries in which IPL operates. The Code also outlines IPL's Securities Trading Policy, Anti-Bribery and Improper Payments Policy, Competition Policy, Gifts and Entertainment Policy, Sanctions Policy and Fraud and Corruption Control Framework.

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- (d) *Company assets and information management* – IPL requires confidential information, resources and information systems to be used in an appropriate and responsible way.
- (e) *Government, media and investor relations* – IPL is committed to managing its relationships with external stakeholders in accordance with applicable laws and good governance and to the promotion of investor confidence by ensuring trading in its securities takes place in an informed market.

Health, Safety, Environment & Community Policy

IPL's Health, Safety, Environment & Community Policy sets out the Company's commitment to its values of "Zero Harm for Everyone, Everywhere" and "Care for the Community and our Environment". The policy provides that the Company will establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements, and that the Company will provide a safe and healthy working environment. The policy also provides for the Company to conduct its operations in compliance with all relevant environmental licences and regulations, and to strive to be a valued corporate citizen in the communities in which it operates.

Anti-bribery and corruption

As part of its commitment to operating to the highest standards of ethical behaviour, IPL has an Anti-Bribery and Improper Payments Policy which prohibits the making of unlawful or improper payments to any individual or entity. The policy also outlines the processes for ensuring that appropriate controls are implemented in relation to third parties who are engaged to act on behalf of the Company. The Company has implemented mandatory and regular compliance training for relevant persons to ensure compliance with the policy. The Anti-Bribery and Improper Payments Policy forms part of, and is supported by, the Fraud and Corruption Control Framework.

Anti-bribery and corruption compliance is monitored and reported within IPL's key corporate governance structures, including by the Board's Audit and Risk Management Committee.

In addition, the Company has adopted a Sanctions Policy, which outlines the expected standards of conduct relevant to the Group's compliance with Australian and international sanctions laws when engaging in international trade. This includes engagement in appropriate due diligence in relation to third parties, transactions or activities that present a potential risk in relation to sanctions laws compliance. As with the Anti-Bribery and Improper Payments Policy, the Sanctions Policy is supported by compliance training and is monitored and reported within the Company's key governance structures, including by the Board's Audit and Risk Management Committee. Summaries of the Anti-Bribery and Improper Payments Policy and Sanctions Policy are available on the corporate governance section of the Company's website.

Whistleblower protection

Employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with IPL's Code of Conduct, any of its other policies, or any other regulatory requirements, with management, the human resources team or the legal and compliance team.

Employees can also raise concerns about breaches of the Company's regulatory obligations or internal policies or procedures on an anonymous basis through its whistleblower reporting system. The Group Whistleblower Protection Policy protects employees who raise concerns about suspected

breaches of IPL's Code of Conduct, policies or the law. IPL's reporting system meets all relevant Australian legislative requirements and is consistent with Australian Standard AS8004 (Whistleblower Protection Programs for Entities). Reports on the operation of the system are made to the Audit and Risk Management Committee.

Securities trading policy

The Board has adopted a Securities Trading Policy which regulates dealings in the Company's shares. The policy aims to ensure that IPL's directors, employees, advisors, auditors and consultants are aware of the legal restrictions on trading in securities while a person is in possession of inside information.

Under the policy, all persons to whom the policy applies are prohibited from trading in the Company's shares while in possession of inside information. Also, there are certain "black out" periods, from the end of the financial year or half year until shortly after the relevant financial results are announced, where trading is prohibited.

In addition, certain individuals (for example, directors, the direct reports to the Managing Director & CEO, and those in the finance units) are "designated employees" and, as such, may not deal in shares in the Company outside of "black out" periods unless, prior to the dealing, the relevant person has notified the Company Secretary or Chairman of the Board (as applicable) and given written confirmation that they are not in possession of price sensitive information. Additionally, "designated employees" must not enter into hedging arrangements which operate to limit the economic risk of their security holding in IPL.

The Company's Securities Trading Policy is available on the corporate governance section of the Company's website. Details of shares in the Company held by the directors are set out in the Remuneration Report.

Modern Slavery

A cross functional project team have developed tools and processes that enable the identification of modern slavery risks and actions to address those risks, in the supply chains of IPL and its subsidiaries. Implementation of the tools and processes will commence by end of calendar year 2019, allowing sufficient time to collate and analyse the data, in preparation for the submission of the Company's Modern Slavery Statement by 30 March 2021.

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee has a Charter approved by the Board. The Charter specifies that the Audit and Risk Management Committee must consist of at least three members. Under the Charter, a majority of members of the Audit and Risk Management Committee must be independent directors and the Chairman must be an independent director and must not be the Chairman of the Board.

The Committee assists the Board in its review of financial reporting principles and policies, controls and procedures, internal control and risk management and internal audit. It also assists the Board in its review of the integrity and reliability of the Company's financial statements, the external audit and the Company's compliance with legal and regulatory requirements.

Corporate Governance Statement

The Audit and Risk Management Committee comprises three independent non-executive directors. The members of the Committee during the financial year were: Brian Kruger (Committee Chairman until 30 June 2019 and remains a member), Bruce Brook (member from 20 December 2018 and Committee Chairman from 1 July 2019), Rebecca McGrath and Paul Brasher (member until 20 December 2018).

The qualifications of those directors appointed to the Audit and Risk Management Committee are set out in the Directors' Report.

The Committee meets as frequently as required but not less than four times a year. The Committee reviews its performance by self-assessment at least annually.

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the 2019 financial year is set out in the Directors' Report.

The Chief Risk Officer, external auditors, the Managing Director & CEO, the Chief Financial Officer and the Group Financial Controller are invited to attend Audit and Risk Management Committee meetings. The Committee regularly meets with the Chief Risk Officer and the external auditors without the presence of other members of management.

CEO and CFO Declaration and Assurance

In accordance with the ASX Recommendations, for the 2019 financial year, the Board received written assurance from the Managing Director & CEO and the Chief Financial Officer that the opinion contained in the declaration provided by them in accordance with section 295A of the Corporations Act 2001 (Cth) (the **Act**) has been formed on the basis of a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

In addition, the Managing Director & CEO and Chief Financial Officer also provided equivalent declarations in respect of the financial statements for the half year ended 31 March 2019.

External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations. Deloitte Touche Tohmatsu, the Company's external auditor, was appointed at the 2011 Annual General Meeting. Mr Tim Richards was appointed as the Company's lead audit partner for the 2019 financial year. As in prior years and in accordance with IPL's practice, restrictions are placed on non-audit work performed by the auditor, and projects outside the scope of the audit require the approval of the Audit and Risk Management Committee. The lead audit partner or appropriate alternates will attend the Annual General Meeting to be held on 20 December 2019. Under the Act, shareholders have the right to submit written questions on certain topics to the auditor, and the auditor may table answers to such questions at the Annual General Meeting.

Further details in relation to the fees paid to the Auditor during the 2019 financial year are set out in Note 22 to the financial statements, Auditor's remuneration.

Principle 5: Make timely and balanced disclosure

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and the Act. Subject to some limited exceptions, under the continuous disclosure requirements, the Company must immediately notify the market, through ASX, of any information which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

To achieve these objectives and satisfy the regulatory requirements, the Board has implemented a Continuous Disclosure Policy. The Policy aims to ensure the proper and timely disclosure of information to shareholders and the market in several ways, including:

- in annual reports and financial statements, releases of results to ASX each half and full year, and at the Company's Annual General Meeting;
- releasing price sensitive announcements and other relevant significant announcements directly to the market via ASX;
- conducting briefings with analysts and institutions from time to time – in doing so, IPL recognises the importance of ensuring that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the Act, ASX and the Australian Securities and Investments Commission; and
- providing information on the Company's website, which contains information about the Company and its activities, including statutory reports and investor information.

The Policy appoints the Managing Director & CEO, the Chief Financial Officer and the Company Secretary as the Continuous Disclosure Officers. Their roles include providing announcements to the ASX and ensuring that senior management and employees are kept informed of the Company's obligations as well as ensuring that the Company and its directors, officers and employees are accountable for compliance with the disclosure rules.

The Company's Continuous Disclosure Policy is available on the corporate governance section of the Company's website.

Principle 6: Respect the rights of security holders

IPL is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

The Company's website

The Company has a specific "Investor Centre" section on its website, www.incitecpivot.com.au/Investor-Centre. This section contains links to the Company's activities, past market communications and an investor calendar setting out important dates. Shareholders can also request information from, and communicate with, the Company online via the "Contact us/ Feedback" page on its website, www.incitecpivot.com.au/contact-us.

Corporate Governance Statement

All relevant corporate governance information, including the names and qualifications of the Board and the Executive Team, the Company's Constitution, Board and Committee Charters, and other corporate governance policies referred to in this Statement, can be accessed on the Company's website.

Investor relations

The Company regularly reviews the methods by which it communicates with shareholders so as to ensure it can make best use of new technologies to enhance shareholder communication. The Company places all relevant announcements made to the market, and related information, on the Company's website after they have been released to ASX.

The Company has, through its investor relations function, implemented an investor relations program to facilitate effective communication and interaction with investors. As part of this program, the Company holds two investor roadshows each year (following its results announcements) in Australia, Asia, North America and Europe, as well as additional ad-hoc investor meetings and conference calls with institutional investors, private investors and sell-side analysts. The Company has also published internally a set of Investor Relations Guidelines which codify the Company's existing investor relations procedures, and which reflect the Company's commitment to the highest standards of corporate governance.

Participation at shareholder meetings

The Board encourages all shareholders to participate at the meetings of the Company's shareholders to ensure a high level of shareholder identification with the Company's strategy and goals.

The Company has in place a Shareholder Communications Policy which sets out the Company's approach in relation to shareholder participation in meetings of the Company. Notices of meeting and accompanying explanatory notes aim to clearly, concisely and accurately set out the nature of the business to be considered at the meeting. Shareholders are encouraged, and sufficient time is provided, at each meeting for shareholders to discuss the resolutions proposed in the meeting. The external auditor also attends each annual general meeting and is available to answer any questions about the conduct of the audit and the preparation and content of the auditor's report.

Shareholders who are unable to attend the annual general meeting in person have the opportunity to submit questions to the Company online, in advance of the meeting. Questions received from shareholders will be collated and the Chairman will seek to address as many of the most frequently asked questions as possible during the annual general meeting.

The Shareholder Communications Policy is available on the corporate governance section of the Company's website.

Electronic communications

All shareholders are given an opportunity to elect to receive communications from the Company and its share registry electronically, either by submitting a paper form (provided by the Company) or making an election online. In addition, shareholders are able to communicate directly with the Company and its share registry electronically, via the contact details set out on the Company's website.

Principle 7: Recognise and manage risk

Risk oversight and management

IPL is committed to the effective management of risk, which is central to its continued growth and success and the achievement of the Group's corporate objective and strategy.

IPL has adopted a Risk Policy for the oversight and management of material business risks and manages risk within a comprehensive risk management framework which is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009).

Risks are identified, analysed and prioritised using common methodologies, and risk controls are designed and implemented having regard to the overall corporate strategy.

The risk controls adopted by IPL are administered via a Group-wide framework, and include:

- identifying, evaluating, treating, monitoring and reporting on material business risks to the Audit and Risk Management Committee;
- annual budgeting and monthly reporting systems to monitor performance;
- delegations of authority;
- policies and procedures for the authorisation of capital expenditure;
- a compliance program supported by approved guidelines and standards addressing health, safety and environment matters, and regulatory compliance matters;
- compliance policies and programs covering anti-bribery, improper payments, sanctions and anti-trust;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies, movements in interest rates and changes in the price of certain commodities;
- a letter of assurance process to provide assurance from management that all controls are in place and operating appropriately;
- management assurance activities, such as the Whistleblower program and the monitoring of gifts and entertainment;
- business continuity plans; and
- the internal audit function.

A summary of the Risk Policy and Framework is available on the corporate governance section of IPL's website.

The Board reviews the Company's Risk Management Framework on an annual basis, based on information and reports received from the Audit and Risk Management Committee (which includes information and reports from the Health, Safety, Environment and Community Committee) to ensure that the Risk Management Framework continues to be sound. The latest review was undertaken in June 2019.

The integration of risk management into everyday operations has been supported by the development of a comprehensive set of training tools and materials including on-line training packages and classroom-based training programs. A customised on-line risk management database was implemented during the 2016 financial year and continues to be enhanced to include improved reporting and control management capabilities.

Corporate Governance Statement

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the overall management of risk and internal control. The Board monitors the Group's risk profile, risks and mitigating strategies primarily through the Audit and Risk Management Committee. The Audit and Risk Management Committee's duties with respect to internal control and risk management comprise:

- *risk management strategies* – receiving reports from management, the internal audit function and the external auditor concerning risk management principles and policies, strategies, processes and controls and the appropriateness and adequacy of the processes for determining and monitoring material business risks;
- *risk monitoring* – receiving reports from management on risk implications from new and emerging risks, changes in the economic and business environment and other factors relevant to the Group's performance and strategy and monitoring resolution of significant risk exposures;
- *compliance* – receiving reports from management, monitoring and overseeing compliance with applicable laws relating to the operation of the business and reviewing and monitoring policies and systems that manage compliance risk;
- *disclosure* – reviewing the form of disclosure to be made in the Annual Report given by the Managing Director & CEO and Chief Financial Officer as to the effectiveness of the Company's management of material business risks; and
- *insurance* – receiving reports from management and monitoring the insurance strategy of the Group and recommending approval or variation of insurance policies.

The Audit and Risk Management Committee and, through it, the Board, receive regular reports from management on the effectiveness of the Group's risk management process.

In addition, the Health, Safety, Environment and Community Committee is responsible for reviewing and monitoring those particular health, safety and environment risks identified pursuant to the Risk Management Framework.

To assist the Committees in undertaking their duties, the Committees have access to documents and information in the possession of an employee or external adviser to the Company, as well as the Company's resources, including employees of the Company and the external auditor, in each case, without management being present. The Committees may also initiate any special investigation they deem necessary or obtain independent professional advice to assist in the exercise of their powers and responsibilities.

Refer to the discussion under Principle 1 and Principle 4 of this Statement for further information on the Company's Health, Safety, Environment and Community Committee and Audit and Risk Management Committee respectively.

Risk management and internal controls

Management, through the Managing Director & CEO and the Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Group's risk management and internal control system.

Each business unit has responsibility for identification and management of risks specific to their business. This is managed through an annual risk workshop within each business unit. The risk workshops are facilitated by the Chief Risk Officer, and form

part of the annual internal audit program, thereby aligning the internal audit activities with material business risks. The outcomes of the business unit risk workshops are assessed as part of the annual corporate risk workshop. The resultant Corporate Risk Register is presented to the Audit and Risk Management Committee on an annual basis, and management is required to present regular updates to the Committee on material business risks.

Internal audit

The internal audit function is managed by the Chief Risk Officer, who oversees the execution of the internal audit plan as approved by the Audit and Risk Management Committee. The internal audit function monitors the internal control framework and provides regular written reports to the Audit and Risk Management Committee on the effectiveness of the management of risk and internal controls. The Chief Risk Officer meets regularly with the Committee without the presence of other members of management.

The Company has adopted the Internal Audit Charter to codify the roles, responsibilities and authority of the internal audit function. The Internal Audit Charter provides the functional and organisational framework within which internal audit operates at IPL. It also sets out the scope, objectives, authority, accountability, roles and responsibilities of the internal audit function within IPL.

The Audit and Risk Management Committee and the Board have received reports from management on the effectiveness of the Group's management of its material business risks for the 2019 financial year.

Climate Change

During 2019, IPL developed a Climate Change Policy which was approved by the Board. This Policy confirms IPL's commitment to managing climate change-related issues and describes how the management of such issues is integrated into IPL's six Strategic Drivers, upon which the success of the Company is built. This is one of several key actions which have progressed IPL's alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) during 2019.

Further information regarding the Company's approach to climate change can be located in the Sustainability section in the 2019 Annual Report.

Economic, environmental and social sustainability risks

Economic sustainability risks

Economic sustainability risks are risks relating to the Company's ability to continue operating at a particular level of economic production over the long term.

The Operating and Financial Review in the 2019 Annual Report contains a summary of the Company's material risks, including any material exposure to economic sustainability risks. These risks are managed within the Company's Risk Management Framework as discussed above. Specific treatment strategies for each of these risks are also outlined in the Operating and Financial Review.

Corporate Governance Statement

Environmental sustainability risks

Environmental sustainability risks are risks relating to the Company's ability to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term. As an international manufacturer of industrial explosives, industrial chemicals and fertilisers, IPL's operations have the potential to create environmental impacts such as soil and groundwater contamination. In addition, greenhouse gases are released through the manufacture of nitrogen-based products. IPL is committed to continuously improving the management processes and systems in place to make its operations and products more sustainable and has a strong focus on both abatement technologies and progressively increasing resource efficiencies to reduce its impact on the environment. The summary Sustainability Report (contained in the Annual Report) also discusses the Company's approach to managing environmental impacts.

Social sustainability risks

Social sustainability risks are risks relating to the Company's ability to continue operating in a manner that meets accepted social norms and needs over the long term. IPL's Zero Harm company value is prioritised above all others and the Company's ambition has been redefined to ensure that Zero Harm is a way of life not only for employees, but for other stakeholders, and extends beyond the Company to make a positive impact on the greater community. IPL recognises the importance of an engaged and diverse workforce on its long term sustainability, and also has measures in place to protect employees from any form of discrimination or harassment. The summary Sustainability Report in the Annual Report discusses the Company's approach to workplace health and safety, managing, engaging and ensuring a diverse workforce and its governance of ethical conduct.

Due to the nature of industrial explosives, industrial chemicals and fertilisers manufacturing operations, some IPL sites are located in areas where the materials handled have the potential to impact on the communities in which IPL operates. Additionally, the operational risks associated with the transportation and storage of the materials handled by IPL (for example, fertilisers, ammonium nitrate initiating systems, industrial chemicals and industrial explosives products) may also have the potential to impact on the local communities. IPL is committed to conducting its business in a socially responsible manner and has measures in place to prevent potential negative impacts on local communities which could arise. The Operating and Financial Review in the Annual Report contains a summary of the production, transportation and storage risks and the treatment strategies for these risks. The summary Sustainability Report also discusses the Company's approach to caring for the community.

In addition to the above, IPL is cognisant of the economic, environmental and social sustainability risks associated with climate change, further discussion of which can be found in the Annual Report.

The Company's sustainability strategy, its approach, targets and performance are set out in the summary Sustainability Report in the Annual Report, which includes further details of how the Company manages its governance of ethical conduct and its environmental and social impacts.

IPL also produces an online Sustainability Report in accordance with the Global Reporting Initiative Guidelines, which is available at www.incitecpivot.com.au/sustainability/ipl-online-sustainability-report. The 2019 IPL Sustainability Report will be available in March 2020.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The Remuneration Committee has a Charter approved by the Board. Under its Charter, the Committee assists and advises the Board on remuneration policies and practices for the Board, the Managing Director & CEO and the Executive Team, with such policies and practices to be designed to enable IPL to attract, retain and motivate its people to create value for shareholders.

The Committee comprises three independent non-executive directors. The members of the Committee during the financial year were: Kathryn Fagg AO (Chairman), Brian Kruger, Graham Smorgon AM (retired on 20 December 2018), and Bruce Brook (member from 20 December 2018).

The Committee is to meet as frequently as required but not less than four times a year.

The attendance of the members of the Remuneration Committee at each meeting held during the 2019 financial year is set out in the Directors' Report (contained in the Annual Report).

IPL's policy is to remunerate non-executive directors by way of fees and payments which may be in the form of cash, non-cash benefits and superannuation benefits. IPL's broad policy in relation to the level of non-executive directors' fees and payments is to ensure that these fees and payments are consistent with the market and enable IPL to attract and retain directors of an appropriate calibre. Details of these fees and payments are included in the table titled "Non-Executive Director Remuneration" in the Remuneration Report (contained in the Annual Report). The Company's policy is that non-executive directors should not be remunerated by way of options, shares, performance rights, bonuses or incentive-based payments.

Details of remuneration paid to the executives during the 2019 financial year are also included in the Remuneration Report.

Arrangements to limit the economic risk associated with equity-based remuneration

Under the Company's Securities Trading Policy, "designated employees" must not enter into hedging arrangements which operate to limit the economic risk of their security holding in IPL.