

SUSTAINABILITY SUMMARY 2017



IPL is committed to operating in a manner which acknowledges and proactively manages those issues which are most material to the long term sustainability of our business, the environment and the communities in which we operate. This commitment is driven by our Company Values which are core to our business. IPL defines Sustainability as 'the creation of long term economic value whilst caring for our people, our communities and our environment'.

IPL's Sustainability Strategy was formally adopted by IPL's Board of Directors in September 2010 and reaffirmed following a review in 2014. During this review it was determined that the Company should seek to influence suppliers to promote alignment with Company values and continue the sustainable development of our supply chain. For the third consecutive year, during 2017 we applied GRI4 principles to report on those issues identified as most material to the sustainability of our business.

Read about what we have been working on and our plans for the future across five areas that contribute to our environmental, social and economic performance: workplace health & safety, environmental impacts and resource efficiency, community impact & engagement, managing our workforce and our products & services.

For more information, see our online 2017 Sustainability Report at www.incitecpivot.com.au

Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

Our Vision and Values guide our approach to sustainability.

Underpinning all of our objectives is BEx



VISION STATEMENT

To be the best in our markets, delivering Zero Harm and outstanding business performance through our people, our culture and our customer focus.

VALUES



BEx is IPL's continuous and focused improvement system. BEx is deployed throughout IPL's global organisation and is integral to the way in which IPL operates. Through BEx, IPL has built a culture that fosters productivity improvements and sustainability initiatives, while prioritising Zero Harm. A bottom-up business system, BEx reflects IPL's corporate values and has lean principles at its core.

Benchmarking our performance

As part of our commitment to transparent reporting, IPL's sustainability performance is assessed against leading indices. This gives us the opportunity to benchmark our performance against other organisations in our sectors, provides insight into areas for improvement, and provides shareholders, investors and other stakeholders with an objective measure of our environmental, social and governance (ESG) risk management and business practices.

As a result, IPL has been included in the Dow Jones Sustainability Index (DJSI) for the past eight years, where we are benchmarked against peers in the global 'Chemicals' sector.

In 2017, the FTSE Group confirmed that IPL has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to remain a constituent of the FTSE4Good Index Series for the fourth year running. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria.

We also report against CDP, CDP Water and other leading sustainability indexes. Our reports can be downloaded from www.incitepivot.com.au.

Dimension	2011	2012	2013	2014	2015	2016	2017
Economic	61	59	70	65	67	74	73
Environmental	50	51	59	60	51	60	61
Social	45	63	68	67	63	65	68
Total for IPL	51	58	66	64	60	67	68
Chemicals sector average	57	55	52	55	58	56	53

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RebecoSAM



Workplace Health and Safety

62% reduction
in employee lost day severity rate

84% of sites
recordable injury free



Material Issue: Workplace Health and Safety

IPL's Zero Harm company value is prioritised above all others. In 2012, IPL adopted a long-term objective of achieving world class safety performance. Among other measures, this included reducing the Total Recordable Injury Frequency Rate (TRIFR) to less than 1.00.

Our performance

- Achievement of a TRIFR of 0.90¹, representing a 35% decline since 2012
- 15% reduction in process safety incidents since 2015
- Global standardised Job Step Analysis (JSA) and Permit to Work (PTW) implemented across Asia Pacific and all global manufacturing sites
- Design of the global standardised Management of Change process and database tool, and commencement of standardised Critical Control Verifications (CCVs). Critical controls are those which relate directly to fatal risks

What's next?

- Extension of the implementation of the standardised PTW and JSA processes to all North American sites
- Implementation of the global standardised Management of Change process
- Continued implementation of the CCV management process
- Maintenance of the global TRIFR below 1 and continued focus in decreasing injury severity rate

¹ Subject to finalisation of classification of any pending incidents.

Products & Services

94%

Australian self-sourced
phosphate rock

116,230

fertiliser bags recycled



Material Issues: Product Quality; Product Sustainability; Customer Relationship

Using BEx principles, product quality is being continuously improved by the detection, analysis and correction of trends during processing which may impact quality and performance. We aim to assess and, where feasible, improve the environmental and social impacts of all products across their life cycle and work with customers to encourage product use which achieves the best sustainability outcomes.

Our performance

- Continued focus of ongoing R & D programs on joint development and extension with customers
- Continued development and marketing of explosive products and delivery systems that reduce blast fume emissions and minimise groundwater nitrate leaching, including the commencement of a new joint research project with Murdoch University
- Continued testing of recycled, reclaimed and treated oils, hydrocarbons and waxes to supplement the use of virgin fuel sources in emulsion-based explosives
- Continued market growth of IPL's enhanced efficiency fertilisers, Entec and Green Urea, which minimise GHG emissions to the atmosphere and leaching to waterways
- New joint research project with the University of Melbourne into new fertiliser technologies for sustained food security, with further development of prototype products planned for 2018

Sustainability Scorecard

The table below shows our performance across a range of economic, social and environmental indicators for the IPL financial years ended 30 September 2015, 2016 and 2017.

Indicator	Unit of measure	2015	2016	2017
Environment				
Emissions				
Direct GHG emissions (Scope 1)	Million	2.4	2.4	2.8
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	0.4	0.3	0.3
Total GHG emissions ¹		2.8	2.7	3.1
Proportion of energy derived from fossil fuels ²	%	95% approx	95% approx	95% approx
Energy				
Global direct energy consumption	GJ	44,070,102	44,972,204	61,972,212
Water				
Global water use	GL	41.6 ³	43.8	47.6
Global water discharge ⁴	GL	32.1	35.6	32.4
Net global water use ⁵	GL	10.5 ³	9.3	15.6
Waste				
Global solid waste	kt	7.6	8.3	6.5
Australian solid waste	kt	4.1	3.5	4.1
Global solid chemical waste	kt	2,177.5	2,134.3	2,224.6
Australian solid chemical waste	kt	2,177.3	2,133.2	2,224.1
Global liquid waste	ML	15.2	14.3	15.2
Australian liquid waste	ML	13.7	9.7	10.7
Environmental compliance				
Environmental Incident Frequency Rate (EIFR) ⁶		0.75	0.32	0.49
Safety				
Total Recordable Injury Frequency Rate		0.67	0.76	0.90
Fatalities		1	0	0

Indicator	Unit of measure	2015	2016	2017
People				
Total workforce (excluding contractors)				
Americas		4,721	4,584	4,570
Asia Pacific		2,440	2,283	2,328
Europe		2,072	2,089	1,971
		209	212	271
Gender – Diversity (% of women)				
Board ⁷		28.6%	28.6%	25.0%
Executive		12.5%	33.3%	33.3%
Senior Management ⁸		13.1%	16.9%	18.8%
Management ⁹		18.5%	11.5%	11.3%
Global		16.0%	15.8%	15.8%
Direct Economic Value Generated and Distributed				
A. Direct economic value generated				
Revenue	\$Mil	3,683.9	3,390.4	3,533.1
B. Economic value distributed				
Operating costs, including payments to suppliers, non-strategic investments and royalties		3,630.9	3,531.4	3,529.5
Employee wages and benefits: total monetary outflows for employees (current payments, not future commitments)		2,609.6	2,465.3	2,620.3
Payments to providers of capital, including dividends and interest		633.7	636.7	602.9
Government taxes (income tax, payroll tax, Australian goods and services, fringe benefits taxes and Australian fuel tax credits)		194.5	194.0	154.7
Voluntary community investments (including donations of cash and in-kind support)		192.7	235.1	151.2
		0.4	0.3	0.4
C. Economic value retained (A-B)				
		53.0	(141.0)	3.6

¹ Scope 1+2. ² Excluding natural gas and diesel used as production raw material. ³ Restated due to improvements in cooling water data collection systems. ⁴ Includes stormwater at sites where it is captured and treated along with other discharge before release. ⁵ Gross water use minus clean water discharge. ⁶ Number of environmental incidents per 1,000,000 man hours worked which exceed licence conditions and create a material or off-site environmental impact with a consequence category of 3 and above, have resulted in a regulator (e.g. EPA) fine of any value, or are a community complaint that stops production. ⁷ J Fazzino, Managing Director & CEO was classified as a Board member. ⁸ Defined as roles which are 1-2 levels below the Executive Team. ⁹ Defined as roles that are 3-4 levels below the Executive Team.

Managing our Workforce

25%

of Board seats held by women

33%

of executive positions held by women



Material Issues: Workforce Diversity; Employee Engagement; Training and Development

We aim to be a business where Company Values guide behaviours in the workplace and where employees have the flexibility, tools and freedom to learn what they need to execute business objectives within a multi-geography, multi-cultural organisation. Details of our Diversity Strategy can be found on our website.

Our performance

- Company-wide employee participation in BEx projects, which contributed to the IPL Organisation Focussed Improvement (OFI) program. The OFI program has not only generated sustainable financial benefit, but provided role-based development opportunities and innovation opportunities for employees
- Training of leaders in coaching and associated skills to further develop BEx leadership capability
- Maintenance of a two percent target of Indigenous employees across IPL's Australian businesses
- New Enterprise Bargaining Agreements, which meet market demands and provide sustainable pay outcomes, within our Australian explosives and manufacturing businesses
- Completion of the implementation of the global Learning Business System, which began in 2016, to provide company-wide standards for learning and development
- Completion of the implementation of the Learning Management System in North America which enables compliance, regulatory and mandatory technical training of employees and contractors

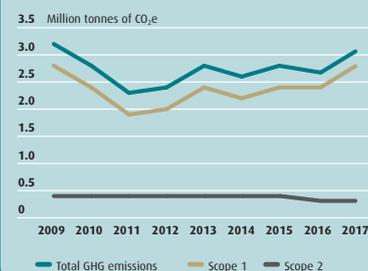
Environment

33% reduction in NOx per tonne of nitric acid produced

9% reduction in GHG emissions per tonne of nitric acid produced

5% reduction in GHG emissions per tonne of ammonia produced

Total direct and indirect greenhouse gas emissions



Material Issues: Energy, Water and GHG Emissions; Managing Environmental Impacts

We rely on resources such as natural gas and water, and we have the potential to impact the environment through emissions of greenhouse gases (GHG), waste generation and contamination of soil and groundwater. We are committed to our value of Care for the Community & our Environment and we aim to minimise environmental impacts and leave no legacies.

Our performance

- Scope 1&2 GHG emissions increased to 3.1 million tonnes due to the newly commissioned Waggaman, Louisiana plant, which increased ammonia production, but decreased IPL's global emissions per tonne of ammonia produced
- Amendment of the IPL Risk Assessment matrix to better recognise and manage environmental risk
- Development of a model to identify engineering and operational opportunities to improve environmental outcomes
- Maintaining the Environmental Incident Frequency Rate below 1 at 0.49

What's next?

- Conducting water balance projects at three major manufacturing sites in 2018
- Continued focus on improving environmental awareness through training, with an emphasis on loss of containment, spill prevention and stormwater pollution prevention
- Continuing to work with the Australian Federal Government on energy and carbon policy towards favourable outcomes for business and the environment

ABOUT OUR BUSINESS



Listed on the Australian Securities Exchange since 2003 (ASX: IPL)



Revenue of \$3,473.4 million for the 2017 financial year



EBIT of \$501.2 million for the 2017 financial year

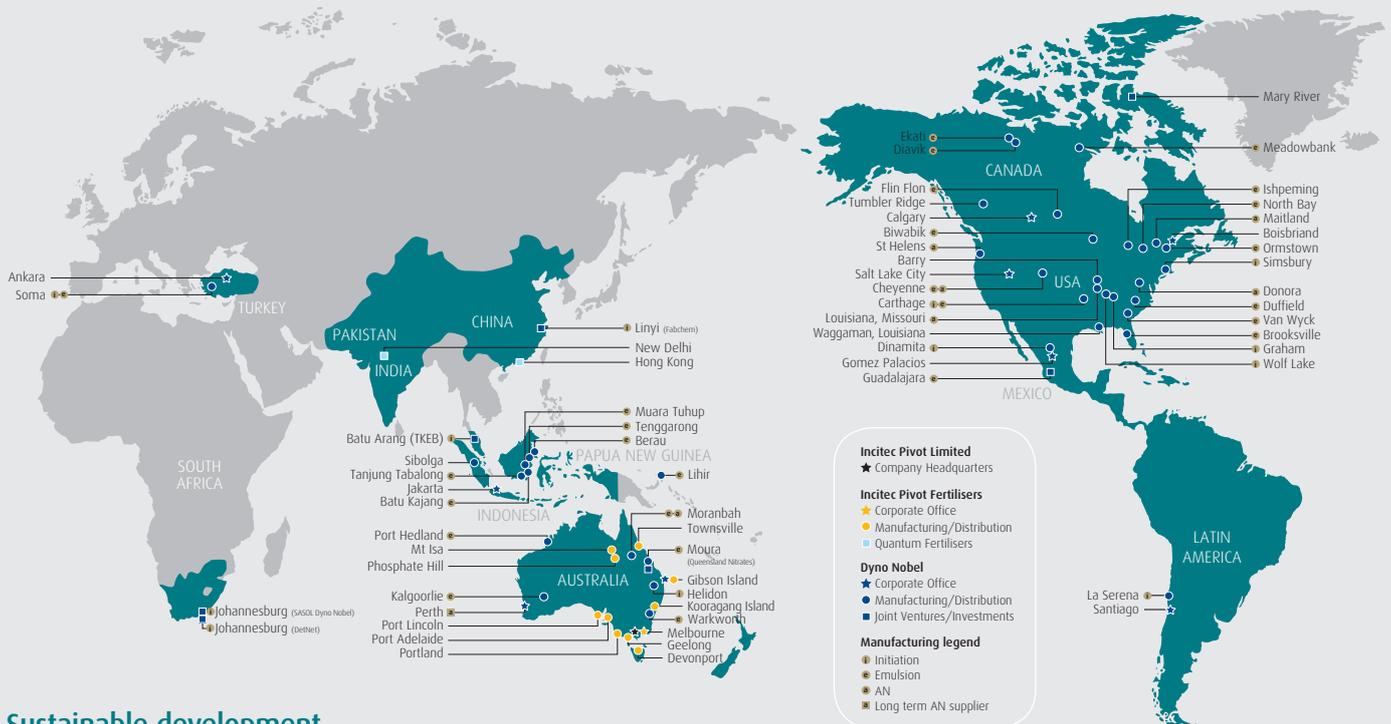


Operations in the US, Canada, Turkey, Australia, Mexico, Chile and Indonesia



Joint venture operations, including in South Africa, Australia, the US and Canada

IPL is a global diversified industrial chemicals company that supplies explosives, industrial chemicals, fertilisers and related services to the mining, infrastructure & construction, chemicals and agriculture industries. Through Dyno Nobel, IPL is a leading supplier of industrial explosives and blasting services in North America and Asia Pacific. Incitec Pivot Fertilisers is Australia's largest supplier of fertilisers by volume, manufacturing around 2 million tonnes each year for use in the grain, cotton, pasture, dairy, sugar and horticulture industries. The Company has operations in Australia, North America, Europe, Asia and Latin America.



Sustainable development

Waggaman, Louisiana Ammonia Plant

IPL assumed operational management of the newly constructed 800,000 metric tonne per annum ammonia plant on 19 October 2016. The plant uses the industry's leading technology and is among the most efficient plants of its kind in the world, employing gas purifier technology and recapturing steam for reuse. The plant is also fitted with Selective Catalytic Reduction technology to reduce emissions of NOx.

As the plant was being completed, IPL engaged a third party to assist in the development of a range of Social Return on Investment (SROI) metrics. SROI is a principles-based method for measuring the extra-financial value created by companies through investments such as the development of the Louisiana Ammonia Plant. Built on a brownfield site, the development required no land clearing and created 65 above-average wage positions and 466 flow-on positions (which were valued at average wage). The SROI estimated that for every dollar IPL invested in the US\$820 million Waggaman, Louisiana Ammonia Plant, US\$3.40 of social value has been created in the local community.

1:3.4

For every dollar IPL invested in the US\$820 million Waggaman, Louisiana Ammonia Plant, US\$3.40 of social value has been created in the local community



4,570 employees at 30 September 2017



As at 30 September 2017, 33% females in executive management roles



Manufacture approximately 2.0 million tonnes of fertiliser for sale per annum



Manufacture approximately 1.7 million tonnes of explosives and industrial chemicals for sale per annum



Provide agronomic services in Australia, completing over 90,000 soil and plant tests each year