

# **Tax Transparency Report 2022**

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## Chief Financial Officer Message

Incitec Pivot Limited (IPL) has published a Tax Transparency Report each year since the release of the Australian Voluntary Transparency Code (the Code). The 30 September 2022 report is our fifth report and, consistent with past reports, brings together details of payments made by IPL to Governments in countries where IPL operates.

The objective of the Code is to provide greater understanding of a company's tax profile, tax contribution, and the manner in which it governs and manages its tax obligations. IPL supports the intent of the Code and recognises the important role a Tax Transparency Report plays in ensuring transparency of IPL's international tax footprint.

IPL's Transparency Report outlines our Board approved strategy with regard to tax and reflects IPL's ongoing commitment to tax transparency.

## Approach to tax

IPL adopts a low tax risk approach and is committed to acting with integrity and transparency in all tax matters. IPL believes that as a good corporate citizen, it should meet all of its obligations under the law and pay the correct amount of tax to the relevant authorities.

IPL's overall objective is to ensure that it complies with its statutory taxation reporting obligations for all its controlled entities.

Our Tax Code of Conduct has been approved by the Board and has the full support of senior management which enables Group Tax to actively participate in the planning and decision making process to ensure that appropriate tax outcomes are incorporated in all decisions.

The following governance parameters are considered in relation to all taxation activities:

1. All applicable laws and regulations relating to taxation must be adhered to.
2. IPL's tax approach supports our business and reflects commercial and economic activity. We do not engage in artificial tax arrangements.
3. IPL aims to develop and foster constructive working relationships with tax authorities and will be transparent in providing full and timely disclosure to tax authorities.
4. In adopting a taxation position, IPL must take into consideration the potential impact on shareholder value, its market reputation and the impact of possible penalties imposed by the relevant authorities (including revenue authorities and other regulators where appropriate).

## **Tax Governance and control framework**

IPL is committed to high standards of corporate governance for the benefit of its various stakeholder groups. The IPL Board has implemented and operates in accordance with a set of corporate governance principles which are fundamental to the Company's continued growth and success.

IPL's tax governance framework, which is reviewed by the Board's Audit and Risk Management Committee (ARMC) and approved by the IPL Board provides the foundation by which taxes are managed within the IPL Group. It defines our strategy and risk management approach as well as how we comply with our tax obligations within our businesses at an operational level.

The Chief Financial Officer (CFO) has oversight of the tax risk management framework. Operational and governance responsibility for the execution of the Group's tax strategy rests with the General Manager Group Tax Manager (GM Group Tax), who is supported by a team of tax professionals and external tax expertise where required.

The GM Group Tax is required to ensure that a regular process is undertaken to identify tax risks to the business. Such risks are typically identified through the involvement of Group tax in normal business operations, regular meetings with Group Treasury, Group Finance, Business Unit managers and our external advisors.

Tax risks are evaluated using the IPL Group enterprise risk management framework to guide its risk management. High or Medium rated risks are reported to Group's ARMC.

The Board, through the ARMC, is updated regularly on material tax matters.

IPL is subject to regular review by the Australian Taxation Office (ATO) through the Justified Trust process. IPL will, where appropriate seek out the ATO's views on tax technical matters through the early engagement process.

## Where we operate

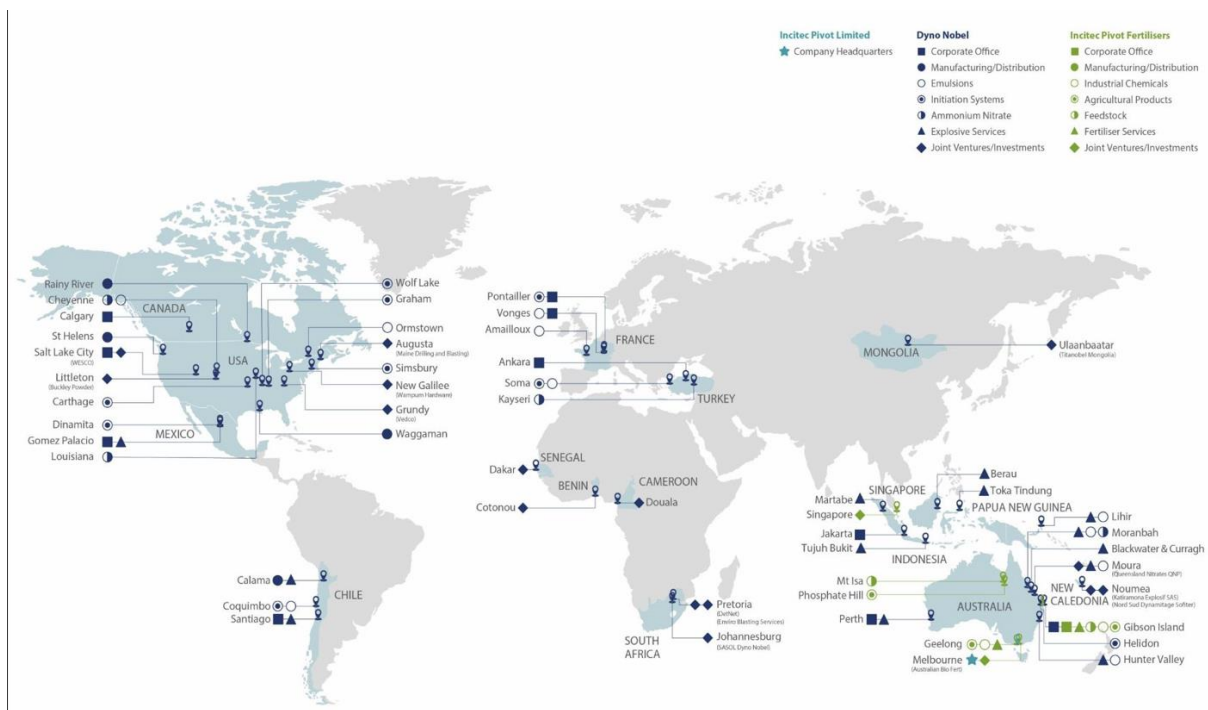
As a global industrial chemicals manufacturer and marketer of commercial explosives and fertilisers, IPL is contributing to the production of the infrastructure, food, clothing, shelter and energy that people need every day. We play an essential role in the mining and agricultural industries which produce many of life’s daily essentials.

Serving high quality customers with technological solutions across six continents, including Australia, North America, Europe, Asia, South America and Africa, we manufacture ammonium nitrate-based explosives and initiating systems, nitrogen and phosphorus fertilisers, and nitrogen related industrial and specialty chemicals.

We have major manufacturing sites across Australia and the US, with key sites in Cheyenne (Wyoming, USA), Louisiana (Missouri, USA), Waggaman (Louisiana, USA), Moranbah (QLD, Australia), Geelong (VIC, Australia) and Phosphate Hill (QLD, Australia).

Our advanced and premium technology, manufacturing excellence and world class services are focused on the diverse needs and aspirations of our customers, ensuring IPL’s continuing key role in developing the efficiency and sustainability of the world’s resource and agricultural sectors.

### Global footprint



IPL operates in the global market through locally incorporated subsidiaries or via joint ventures, serving local mining and agricultural businesses.

The nature of the products and services produced by IPL require the bulk of our manufacturing and servicing capabilities to be within close proximity of our external customers.

IPL has two customer facing businesses, **Dyno Nobel** based in the Americas, Europe, Middle East, Africa (EMEA) and Asia Pacific and **Incitec Pivot Fertilisers**, a leading integrated manufacturer and distributor of fertilisers across the east coast of Australia.

Dyno Nobel is IPL's international explosives and technical blasting services business and one of the largest industrial explosives distributors in North America and Australia. Blasting is an essential step in extracting the minerals required to meet the world's demand for power, infrastructure and consumer goods. Construction, mines, quarries and seismic explorers use Dyno Nobel products to achieve safety goals and improve operational efficiency.

We provide a full range of reliable explosives products from manufacturing plants around the world and extensive blasting services. In fact, we boast some of the most highly trained blasters and technical experts in the industry, and operate in Australia, Canada, the United States, Indonesia, Mexico, Chile, Papua New Guinea, Turkey and France. Our research & development focuses on practical ways to use new technologies to benefit our customers and include DIFFERENTIAL ENERGY®, DigiShot® Plus.4G and CyberDet® I.

As a leading fertiliser manufacturer and distributor on the east coast of Australia, Incitec Pivot Fertilisers is on a journey to become the nation's leading soil health business. Our people, products and services support farming communities and contribute to our growers' production, which in turn helps feed millions around the globe. Resilient, diverse and proud, we are driven by science, innovation and maximising soil potential. Through our comprehensive "Agronomy in Practice" training course we help educate and develop the capability of Australian agronomists. Using an interactive and engaging program with hands-on activities and assessments at every step of the way, it's the ultimate course in best practice soil, plant tissue and water sampling, testing, interpreting analysis results and making fertiliser recommendations.

Incitec Pivot Fertiliser's leading brands include Granulock®, SuPerfect® and our patented de-nitrification inhibitor eNpower®. With a dedicated network of suppliers and agents across the east coast of Australia, as well as our NATA-accredited Nutrient Advantage® Laboratory, Incitec Pivot Fertilisers supports farmers with the crop nutrition insights and products they need to maximise yield potential in an efficient way. Further afield, through our global trading business Southern Cross Fertilisers, we sell and trade in major offshore agricultural markets including Asia Pacific, the Indian subcontinent, the United States, Latin America and other international locations.

Country of operation	External Operating revenue A\$m	Internal Revenue <sup>1</sup> A\$m	Net Profit /(Loss) after tax A\$m	R&D expenditure A\$m	Number of employees	Corporate tax rate %
Australia	3,639.0	7.2	521.6	15.8	2,052	30.0
USA	2,199.0	157.5	512.0	9.6	1,938	26.0
Canada	315.8	34.6	31.2	0.2	426	26.8
Mexico	16.5	57.0	2.5	-	389	30.0
Turkey	74.6	1.6	12.0	-	248	22.0
France	41.5	-	1.0	-	377	25.0
Other	29.1	-	-66.6	-	392	
<b>Total</b>	<b>6,315.5</b>	<b>257.9</b>	<b>1,013.7</b>	<b>25.7</b>	<b>5,822</b>	

<sup>1</sup> Excludes dividend income

In reviewing IPL's operations in the context of operating in low tax jurisdictions we have applied the European Union's (EU) list of non-cooperative jurisdictions for tax purposes. In compiling this list the EU assesses countries against agreed criteria for good governance, consistent with standards of the EU member states. These criteria relate to tax transparency, fair taxation, implementation of OECD base erosion and profit shifting measures and entity substance requirements.

The EU has published a list of non-cooperative jurisdictions. IPL does not operate in any of the jurisdictions listed as non-cooperative.

It should be noted that IPL's overseas companies (including our operation in Singapore) are subject to Australia's international tax rules (Controlled Foreign Corporations rules), the purpose of which are to ensure profits generated by overseas operations in low tax jurisdictions are appropriately taxed in Australia.

## Related party transactions

Product flows between Australia and offshore related parties relate primarily to the supply of explosives components (which are assembled in Australia and sold to customers within the Asia Pacific region). These transactions are minimal, relative to dealings with external customers.

Services between Australia and offshore related parties include funding and other centralised services such as technology, treasury, engineering and insurance services.

Any related party dealings are governed by IPL's global transfer pricing policies which stipulate that products and services transacted between related parties are charged to the recipient at an arm's length fee in accordance with OECD guidelines.

Group Tax monitors related party transactions to ensure compliance to the Group's transfer pricing policy and alignment of the commercial and tax outcomes of cross border charges (refer Country of Operation table above).

## Taxes paid

IPL incurs and pays taxes in each jurisdiction in which it operates. It is also legally obligated to collect and remit various taxes on behalf of the local revenue authority. The tables below provide further details of the nature of the taxes paid and collected by IPL globally.

### Total Cash Taxes Paid

Total taxes paid comprise any tax that IPL is obliged to pay a government directly or indirectly on its own behalf. IPL includes employer taxes (such as payroll tax), corporate income tax and royalties paid to governments of jurisdictions in which we operate.

With regard to the corporate income tax paid, it should be noted that the accounting for a corporate tax liability and actual payment of that liability will differ due to the timing of when the liability is booked and when the actual tax payment occurs. The graphs below reflect actual cash taxes paid during the relevant year.

The tables below provide a snapshot of the significant countries in which we operate.



## Taxes paid

Country of operation	Corporate income Tax Paid A\$m	Employee Taxes Paid A\$m	Other A\$m	Total Taxes Paid A\$m
Australia	90.8	22.4	0.5	113.6
USA	7.5	20.6	7.5	35.6
Canada	7.6	2.3	0.4	10.4
Mexico	3.7	2.4	0.1	6.2
Turkey	4.8	0.9	-	5.6
Indonesia	0.8	-	0.3	1.1
New Caledonia	0.7	0.5	-	1.2
Other	1.6	4.2	4.3	10.1
<b>Total</b>	<b>117.6</b>	<b>53.3</b>	<b>13.0</b>	<b>183.8</b>

## Taxes collected

Taxes collected are taxes that IPL is obliged to withhold from payments to third parties and remit these amounts to local governments on behalf of other people. Such taxes include withholding taxes on interest and dividend, sales/VAT/GST and employee salary and wages tax.

## Other taxes collected and remitted

Country of operation	Net GST/VAT Paid A\$m	Employee Taxes Remitted A\$m	Other A\$m	Total Taxes Collected A\$m
Australia	149.0	92.7	-	241.7
USA	11.0	62.6	-	73.7
Canada	34.8	14.9	-	49.7
Mexico	(5.3)	1.0	0.1	(4.2)
Turkey	1.4	-	-	1.4
Indonesia	3.2	0.8	0.2	4.2
PNG	0.8	0.7	-	1.5
France	5.8	2.8	-	8.5
Other	1.6	0.3	-	1.9
<b>Total</b>	<b>202.3</b>	<b>175.9</b>	<b>0.2</b>	<b>378.4</b>

## Other Taxes and Payments

Other taxes and payments net of grants and incentives

Country of operation	Property taxes A\$m	Withholding taxes A\$m	Customs duties A\$m	Irrecoverable indirect taxes A\$m	Gov't grant receipts A\$m
Australia	0.5	0.6	-	-	(8.3)
USA	7.0	0.4	-	0.6	-
Canada	0.4	-	-	-	-
Mexico	0.0	0.8	0.1	-	-
Turkey	-	0.6	-	-	-
Indonesia	-	0.6	-	-	-
Chile	-	-	1.3	2.6	-
Other	0.2	0.3	0.1	0.1	-
<b>Total</b>	<b>8.0</b>	<b>3.3</b>	<b>1.5</b>	<b>3.3</b>	<b>(8.3)</b>

## Income tax reconciliation to tax payable

Income tax expense comprises current tax (amount payable or receivable within 12 months) and deferred tax (amounts payable or receivable after 12 months). Tax expense is recognised in the profit or loss statement, unless it relates to items that have been recognised in equity. In this instance, the related tax expense is recognised in equity.

The following table is a reconciliation of accounting profit to income tax payable for the IPL Global Group and Australian Tax Group as at 30 September 2022.

	2022 Global A\$mill	2022 Australia A\$mill
<b>Total profit before tax</b>	1,358.8	842.6
Tax exempt Intercompany dividend eliminated on consolidation <sup>1</sup>	-	(259.8)
<b>Total profit/(loss) before tax excluding intercompany dividend</b>	1,358.8	582.8
Tax at the Australian tax rate of 30%	407.6	174.8
<b>Non temporary differences</b>		
Joint venture income <sup>2</sup>	(10.9)	-
Sundry items <sup>3</sup>	(15.8)	7.8
Difference in overseas tax rates	(34.3)	-
Adjustment to tax expenses relating to prior years	(1.6)	-
<b>Income tax expense attributable to profit</b>	345.0	182.6
<b>Temporary differences</b>		
Provisions	16.7	(1.0)
Property, Plant and Equipment	(20.0)	(32.1)
Tax Losses <sup>4</sup>	(193.6)	-
Intangible Assets	3.0	-
Capitalised inventory cost	1.2	-
Financial instruments	19.5	7.2
Prepayments	(3.8)	-
Tax payments on matters in dispute with tax authorities	-	-
Other	(4.1)	5.3
<b>Total origination and reversal of temporary differences</b>	(181.0)	(20.6)
<b>Tax liabilities</b>	164.0	162.0
<b>Less:</b>		
Franking credits		-
Withholding tax credits		(0.5)
R & D tax offset		(7.4)
<b>Tax payable/(refundable)</b>	164.0	154.1
<b>Effective Tax Rate</b>	<b>2022 Global %</b>	<b>2022 Australia %</b>
Effective tax rate <sup>5</sup>	25.4%	31.3%

<sup>1</sup>Dividends received from overseas operations are exempt from Australian tax. All dividends received from related parties are eliminated at the Group Level

<sup>2</sup>Accounted for in accordance with AASB 128 Investments in Associates and Joint Ventures. Profits of joint ventures are taxed at the entity level.

<sup>3</sup>Sundry items relate to the reversal of deferred tax balances in overseas entities offset by the attribution of income from overseas operations subject to tax in Australia

<sup>4</sup>Previously booked tax losses recouped by US business

<sup>5</sup>Effective tax rate is calculated as income tax expense divided by accounting profit/loss before tax excluding intercompany dividends

IPL's global effective tax rate is impacted by the profit/loss contributions to the Group results of its subsidiaries operating in their respective jurisdictions. Given the different

corporate tax rates applicable across the Group and that legislative requirements are unique in each jurisdiction it is not uncommon for a company the size of IPL to experience variability in its effective tax rate year-on-year. The table below highlights this variability over the past 5 years.

	2022	2021	2020	2019	2018
Profit before tax	1,358.8	160.2	150.9	159.6	192.7
Rax Expense	345.0	(11.1)	(27.5)	(7.5)	18.1
Profit after tax	1,703.8	149.1	123.4	152.1	210.8
Effective tax rate	25.4%	-6.9%	-18.2%	-4.7%	9.4%

## ATO Public Disclosure

The ATO is required to publicly report information about Australian public companies (and other companies, including those which are foreign owned) with total income of \$100 million or more.

In December 2022, the ATO disclosed the following information about IPL, as reported by the company in its Australian tax return for the 2021 tax year. It is expected that in September 2023, the ATO will disclose the comparative 2022 data for IPL. The tax return for IPL is a consolidated tax return and comprises the results of its wholly owned, Australian tax resident entities (IPL Tax Group).

Incitec Pivot Limited ABN 42 004 080 264		
	2022	2021
	A\$M	A\$M
Total Income	4,304.5	3,200.0
Taxable Income	541.5	141.4
Income Tax Payable	154.1	28.0

The amount disclosed as Total Income in the tax return is the total accounting revenue of the IPL Tax Group. Accounting revenue is the gross receipts of the IPL wholly owned Australian group before any expenses are taken into account, and therefore does not represent the real, economic or taxable profits of an organisation.

Operating Profit before Tax (which is also reported to the ATO) is the basis upon which taxable income is determined. It is from this amount that various non-

temporary and temporary adjustments are made to arrive at taxable income. These adjustments are detailed in the Income Tax Reconciliation to tax payable section of this report.

A summary reconciliation is provided below.

	<b>A\$M</b> <b>2022</b>	<b>A\$M</b> <b>2021</b>
Total Income (as reported by ATO) <sup>1</sup>	4,304.5	3,200.0
Total expenses	3,461.9	3,004.2
Operating profit before tax	842.6	195.8
Non-temporary & temporary adjustments	(301.1)	87.9
Prior year tax losses recouped	0	(142.3)
Taxable income (as reported by ATO) <sup>1</sup>	541.5	141.4
Tax payable on taxable income	162.4	42.4
Less Franking and other Credits	(8.3)	(14.4)
<b>Income tax payable (as reported by ATO)<sup>1</sup></b>	<b>154.1</b>	<b>28.0</b>

<sup>1</sup> 2022 data to be reported by ATO in December 2023

## Basis of preparation

Data disclosed in this report is drawn primarily from the Group's consolidated financial reporting system and global tax reporting platform which is subject to audit scrutiny by both our external and internal auditors.

Where possible, financial data disclosed in this report is agreed back to relevant tax data disclosed in the Group's audited financial statements.

The group follows International Financial Reporting Standards and guidance issued by the ATO and the Organisation for Economic Co-operation and Development.

Additional data is provided from other sources where required such as local accounting records and human resources records.

All values are in Australian dollars.