

# SUSTAINABILITY SUMMARY 2016



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 the Board in September 2010 and reaffirmed following a review in 2014. During this review it was also determined that the Company should seek to influence suppliers to promote alignment with our Company values and continue the sustainable development of our supply chain. For the second consecutive year, during 2016 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, labour practices and our products & services.*

For more information, see our on-line 2016 Sustainability Report at [www.incitecpivot.com.au](http://www.incitecpivot.com.au)

## Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

**Our Company Vision and seven 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



Business Excellence (BEx) is the IPL Business System for continuous and focused improvement. BEx is strongly aligned to our Corporate Values and Vision and has lean thinking at its core. Through BEx there is continuous review, measurement of business performance and improvement of the processes and systems that support sustainable business practices.

## Benchmarking our performance

As part of our commitment to transparent reporting, IPL's sustainability performance is assessed against leading indexes. 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 practice.

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

In 2016, 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 third year running. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria.

We also report against CDP, CDWP and other leading sustainability indexes. Our reports can be downloaded from [www.incitepivot.com.au](http://www.incitepivot.com.au).

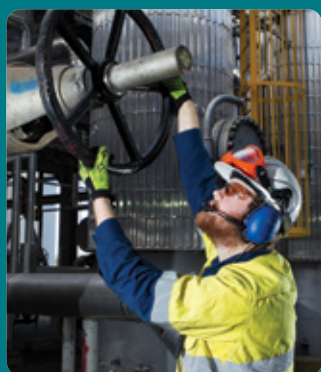
MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

DJSI Dimension	2010	2011	2012	2013	2014	2015	2016
Economic	61	61	59	70	65	67	74
Environmental	51	50	51	59	60	51	60
Social	37	45	63	68	67	63	65
<b>Total for IPL</b>	<b>49</b>	<b>51</b>	<b>58</b>	<b>66</b>	<b>64</b>	<b>60</b>	<b>67</b>
Chemicals sector average	55	57	55	52	55	58	56

## Workplace Health and Safety

**70%** reduction in employee lost day severity rate

**61%** reduction in lost time injury frequency rate



### Material Issue: Workplace Health and Safety

At IPL, we prioritise our Company value of Zero Harm for Everyone, Everywhere above all others. In 2012 IPL adopted a five year Global HSE Strategy to achieve world class safety performance and an all worker TRIFR of < 1 by 2016. This was achieved by 2014 and has since been maintained.

#### Our performance

- Achievement of a TRIFR of 0.76<sup>1</sup>
- Near miss and hazard reporting increased 18%
- Development of a global approach to Permit to Work and Job Step Analysis and rollout of associated training materials
- Specific and comprehensive Executive Team 'Zero Harm' goals, including incident investigations and review of site risk registers

#### What's next?

- Development of an improved and standardised Management of Change process
- Continued improvement of risk management across all parts of the business
- Embedding of the standardised Permit to Work and Job Step Analysis processes at our manufacturing sites and roll out across our explosives and fertiliser operations
- Maintenance of both the global TRIFR below 1 and the gains made in decreasing the employee lost day severity rate

<sup>1</sup> Subject to finalisation of classification of any pending incidents.

## Products & Services

**91%**

of phosphate rock sourced from our Australian Phosphate Hill mine

**72,500**

fertiliser bags recycled



### Material Issues: Product Quality; Product Sustainability

Using BEx principles, product quality is 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 on collaborative research programs and product development with customers
- The continued development and marketing of explosive products and delivery systems that reduce blast fume emissions and minimise groundwater nitrate leaching, with strong sales growth and excellent results for customers
- The continued testing of recycled oils and hydrocarbons recovered from other waste materials to replace virgin oils in explosives manufacture
- Financial and promotional support to allow a 6 month Farm Waste Recovery trial conducted last year to be converted into a permanent program to collect and recycle empty fertiliser bags. This is now offered to all of IPL's fertiliser customers across eastern Australia
- The completion of two joint research projects with the University of Melbourne into reducing greenhouse gas emissions from agriculture and the establishment of two new projects relating to the use of greenhouse gas inhibitors in fertilisers



# 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 2014, 2015 and 2016.

Indicator	Unit of measure	2014	2015	2016
<b>Environment</b>				
<b>Emissions</b>				
Direct GHG emissions (Scope 1)	Million	2.2	2.4	2.4
Indirect GHG emissions (Scope 2)	tonnes CO <sub>2</sub> e	0.4	0.4	0.3
Total GHG emissions <sup>1</sup>		2.6	2.8	2.7
Proportion of energy derived from fossil fuels <sup>2</sup>	%	95% approx	95% approx	95% approx
<b>Energy</b>				
Global direct energy consumption	GJ	41,248,949	44,070,102	44,972,204
<b>Water</b>				
Global water use	GL	43.4	41.6 <sup>3</sup>	43.8
Global water discharge	GL	32.5	32.1	35.6
Net global water use	GL	11.8	10.5 <sup>3</sup>	9.3
<b>Waste</b>				
Global solid waste	kt	13.5	7.6	8.3
Australian solid waste	kt	4.4	4.1	3.5
Global solid chemical waste	kt	1,470.4	2,177.5	2,134.3
Australian solid chemical waste	kt	1,470.2	2,177.3	2,133.2
Global liquid waste	ML	23.5	15.2	14.3
Australian liquid waste	ML	12.9	13.7	9.7
<b>Environmental compliance</b>				
Environmental licence non-compliance incidents (category 2+) <sup>4</sup>		16 <sup>4</sup>	51 <sup>4</sup>	12 <sup>4</sup>
Loss of containment (category 2+) <sup>4</sup>		239 <sup>4</sup>	200 <sup>4</sup>	191 <sup>4</sup>
Environmental Incident Frequency Rate (EIFR) <sup>5</sup>		-	0.75	0.32
<b>Safety</b>				
Total Recordable Injury Frequency Rate		0.97	0.67	0.76
Fatalities		0	1	0

<sup>1</sup> Scope 1 + 2. <sup>2</sup> Excluding natural gas and diesel used as production raw material. <sup>3</sup> Restated due to improvements in cooling water data collection systems. <sup>4</sup> Includes both environmental non-compliance and internal non-compliance incidents. <sup>5</sup> 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. <sup>6</sup> J. Fazzino, Managing Director and CEO, is classified as a Board member. <sup>7</sup> Defined as roles which are 1-2 levels below the Executive Team. <sup>8</sup> Defined as roles that are 3-4 levels below the Executive Team.

Indicator	Unit of measure	2014	2015	2016
<b>People</b>				
<b>Total workforce (excluding contractors)</b>				
Americas		4,977	4,721	4,584
Asia Pacific		2,584	2,440	2,283
Europe		2,124	2,072	2,089
		257	209	212
<b>Gender – Diversity (% of women)</b>				
Board <sup>6</sup>		25%	28.6%	28.6%
Executive		12.5%	12.5%	33.3%
Senior Management <sup>7</sup>		12.2%	15.3%	16.9%
Management <sup>8</sup>		15.6%	16.3%	11.5%
Global		15.7%	15.8%	15.8%
<b>Direct Economic Value Generated and Distributed</b>				
<b>A. Direct economic value generated</b>				
Revenue	\$Mil	3,400.2	3,683.9	3,390.4
<b>B. Economic value distributed</b>				
Operating costs, including payments to suppliers, non-strategic investments and royalties		3,570.0	3,630.9	3,531.4
Employee wages and benefits: total monetary outflows for employees (current payments, not future commitments)		2,670.9	2,609.6	2,465.3
Payments to providers of capital, including dividends and interest		583.2	633.7	636.7
Government taxes (income tax, payroll tax, Australian goods and services, fringe benefits taxes and Australian fuel tax credits)		152.0	194.5	194.0
Voluntary community investments (including donations of cash, in-kind support and employee time)		163.6	192.7	235.1
		0.3	0.4	0.3
<b>C. Economic value retained (A-B)</b>				
		(169.8)	53.0	(141.0)

## People & Culture

**28.6%**  
of Board seats held by women

**33.3%**  
of executive positions held by women



### Material Issues: Workforce Diversity; Employee Engagement; Managing our Workforce

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 on our Diversity Strategy can be found on our website.

#### Our performance

- The provision of role based development opportunities for the Company's employees. Over 50% of senior employees have experienced a broadening of their role, a role promotion, or other role responsibility change during 2016
- Maintenance of 2% Indigenous Employment across IPL's Australian businesses
- Increased representation of women on the Executive Team, and within the next levels of the organisation
- Commencement of the implementation of an online learning management system in North America, which will be complete in the first half of 2017
- Broadening of the use of the change management framework to give effect to our value of Respect, Recognise and Reward during change in work practices, structures and processes

## Environment

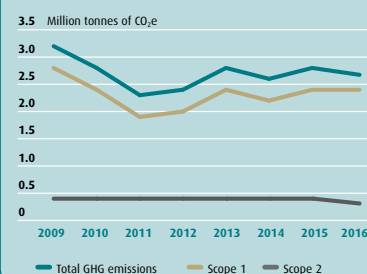
**11%** reduction in net water use

**9%** reduction in general waste to landfill

**95%\*** is the approximate proportion of energy we use that is derived from fossil fuels

\* excluding natural gas and diesel used as raw materials

### 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, 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

- Our Scope 1 & 2 GHG emissions decreased slightly to 2.7 million tonnes
- We rolled out a new Environmental Compliance Audit Tool to an additional 21 sites in North America
- We reviewed all Australian licensed sites' Compliance Management Plans and Risk Registers to identify environmental risks and implement improved mitigation controls
- Our Environmental Incident Frequency Rate was maintained below 1 at just 0.32

#### What's next?

- Working with the Australian Federal Government on energy and carbon policy to ensure favourable outcomes for business and the environment and implementing processes to meet the new Australian Safeguard Mechanism
- Final completion of the installation of a Selective Catalytic Reduction (SCR) unit at the Louisiana, Missouri, nitric acid plant, which will reduce NOx emissions at the site by 90 percent
- Working across the global business to identify and implement energy and water efficiencies

# ABOUT OUR BUSINESS



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



Annual revenue of \$3353.7 million for the 2016 financial year



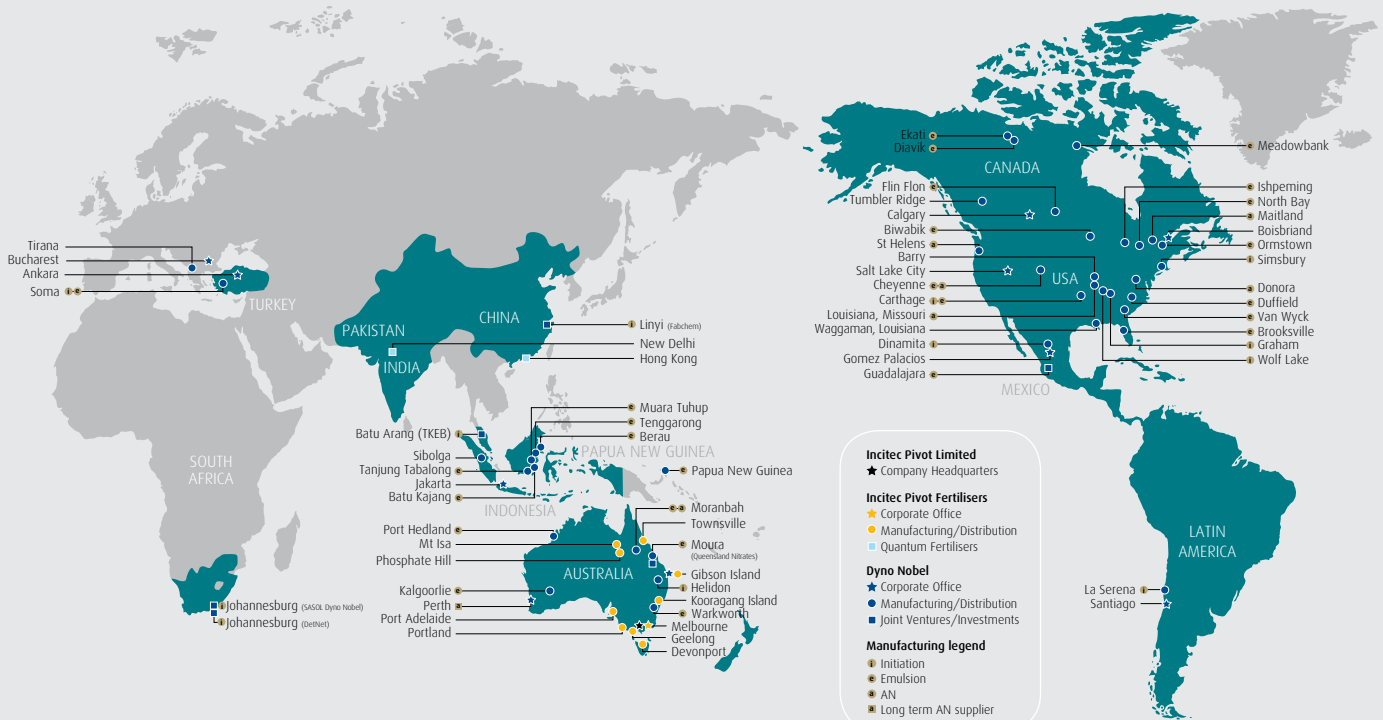
Annual EBIT (ex IMIs) of \$428.1 million for the 2016 financial year



IPL owns and operates manufacturing plants in the US, Canada, Turkey, Australia, Mexico, Chile and Indonesia



Joint venture operations, including in South Africa, Malaysia, China, 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, principally Australia. Incitec Pivot Fertilisers is Australia's largest supplier of fertilisers by volume, dispatching around 1.8 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.



4,548 employees at 30 September 2016



As at 30 September 2016, 33% females in executive management roles



Supply approximately 1.8 million tonnes of fertiliser per annum



Supply approximately 1.0 million tonnes of ammonium nitrate explosive per annum



Provide agronomic services in Australia, completing over 70,000 soil and plant tests each year