# Appendix 4E

## Preliminary final report

**Incitec Pivot Limited**

**ABN 42 004 080 264**

| **Financial year ended** | **Previous financial year ended** |
|---|---|
| (current period) | (previous corresponding period) |
| **30 September 2021** | 30 September 2020 |

**Results for announcement to the market**

| Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2021 | | | | **$A mill** |
|---|---|---|---|---|
| Revenues from ordinary activities | up | $A mill 406.3 (10.3%) | to | 4,348.5 |
| Net profit for the financial year attributable to members of Incitec Pivot Limited | up | $A mill 25.7 (20.8%) | to | 149.1 |
| Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited | up | $A mill 170.4 (90.5%) | to | 358.6 |

| **Dividends** | **Amount per security** cents | **Franked amount per security** cents |
|---|---|---|
| **Current Period** | | |
| Interim dividend | 1.0 | 1.0 |
| Final dividend | 8.3 | 1.2 |
| **Previous corresponding period** | | |
| Interim dividend | nil | nil |
| Final dividend | nil | nil |

Record date for determining entitlements to the final dividend: 2 December 2021

Payment date of final dividend: 16 December 2021

The Dividend Reinvestment Plan remains suspended until further notice and will not be in operation for the 2021 final dividend.

| | **Current period** | **Previous corresponding period** |
|---|---|---|
| **Net tangible asset backing per ordinary security** | $1.22 | $1.12 |

Net tangible assets include the right-of-use assets recognised under AASB 16 *Leases*.

The information should be read in conjunction with the consolidated financial report, which is set out on pages 46 to 82.

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Incitec Pivot's results please refer to the accompanying Incitec Pivot Limited Profit Report.

**Conduit foreign income component:**

| *Current period* | | *Previous corresponding period* | |
|---|---|---|---|
| Interim dividend | | Interim dividend | |
| Ordinary | nil | Ordinary | nil |
| Final dividend | | Final dividend | |
| Ordinary | 7.1 cents | Ordinary | nil |

# Contents



**Annual General Meeting**
The Annual General Meeting will be held as follows:

| | |
|---|---|
| Location | The Annual General Meeting will be held as a virtual meeting via an online platform. |
| Date | 17 December 2021 |
| Time | 11.00 am (AEDT) |
| Approximate date the annual report will be available | 25 November 2021 |

**Compliance Statement**

This report has been prepared under accounting policies which comply with the Corporations Act 2001 (Cth), the Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporation Regulations 2001 (Cth).

This report uses the same accounting policies as the financial statements prepared under the Corporations Act 2001 (Cth). This gives a true and fair view of the matters disclosed. The financial report is based on accounts which have been audited.

For further information, please contact:


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# DIRECTORS' REPORT

The directors of Incitec Pivot Limited (the Company or IPL) present their report together with the financial report of the Company and its controlled entities (the Group) for the year ended 30 September 2021 and the auditor's report.

The following sections of the Annual Report form part of, and are to be read in conjunction with, this Directors' Report:

» Board of Directors
» Operating and Financial Review (OFR)
» Remuneration Report
» Auditor's Independence Declaration

## Directors

Particulars of the qualifications, other directorships, experience and special responsibilities of each Director as at the date of this report are set out in the Board of Directors section.

During the financial year, the following changes to the composition of the Board of Directors occurred:

» Mr Biltz was appointed as a director on 1 December 2020
» Ms McGrath retired as a director on 18 December 2020 (at the conclusion of the Company's 2020 Annual General Meeting)
» Ms Dwyer was appointed as a director on 20 May 2021

## Directors' meetings

The number of Board and Board Committee meetings attended by each of the directors of the Company during the financial year are listed below:

| | Board | | Audit and Risk Management Committee | | Remuneration Committee | | Nominations Committee | | Health, Safety, Environment and Community Committee | | Additional Meetings [3] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director – Current [1][2]** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| B Kruger [4] | **8** | 8 | **–** | 5 | **2** | 4 | **2** | 2 | **6** | 6 | **5** | 5 |
| G Biltz [5] | **7** | 7 | **–** | – | **–** | – | **–** | – | **5** | 5 | **2** | 2 |
| B Brook | **8** | 8 | **5** | 5 | **4** | 4 | **2** | 2 | **–** | 3 | **5** | 5 |
| T Dwyer [6] | **3** | 3 | **2** | 2 | **2** | 2 | **–** | 1 | **–** | 2 | **–** | – |
| X Liu [7] | **8** | 8 | **5** | 5 | **–** | 4 | **–** | – | **6** | 6 | **3** | 3 |
| G Robinson [8] | **8** | 8 | **4** | 4 | **4** | 4 | **2** | 2 | **–** | 4 | **3** | 3 |
| J Johns | **8** | 8 | **–** | 5 | **–** | 4 | **–** | – | **6** | 5 | **5** | 5 |
| **Director – Former** | | | | | | | | | | | | |
| R McGrath [9] | **2** | 2 | **1** | 1 | **–** | – | **–** | – | **2** | 2 | **1** | 1 |

Chairman  Member

(1) 'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee.
(2) 'Attended' indicates the number of meetings attended. Directors who are not members of the Board Committees do attend Committee meetings from time to time (as non-executive directors have a standing invitation to attend all Committee meetings).
(3) Reflects the number of additional formal Board meetings attended by each director during the financial year, and includes attendance at Board Sub-Committee meetings where any two directors are required to form a quorum.
(4) Mr Kruger was a member of the Remuneration Committee until 20 May 2021 and attended two scheduled meetings during the period he was a member.
(5) Mr Biltz was appointed as a director on 1 December 2020 and as a member of the Health, Safety, Environment and Community Committee with effect from 18 December 2020.
(6) Ms Dwyer was appointed as a director on 20 May 2021 and as a member of the Audit and Risk Management Committee and the Remuneration Committee with effect from 20 May 2021.
(7) Dr Liu was appointed Chairman of the Health, Safety, Environment and Community Committee with effect from 18 December 2020.
(8) Mr Robinson was appointed as a member of the Audit and Risk Management Committee and the Nominations Committee with effect from 18 December 2020.
(9) Ms McGrath retired as a director on 18 December 2020.

## Directors' interests in share capital

The relevant interests of each director in the share capital of the Company as at the date of this report is disclosed in the Remuneration Report.

## Company Secretary

Ms Richa Puri was appointed to the role of Company Secretary on 8 August 2019. Ms Puri (LLB (Hons), B. Com (Accounting), FGIA, GAICD) is a corporate lawyer and governance adviser with over 15 years relevant professional experience. She has practiced as a lawyer for legal firms in Australia and has experience in providing in-house legal, governance and company secretarial advice to ASX listed companies.

## Principal activities

The principal activities of the Group during the course of the financial year were the manufacture and distribution of industrial explosives, industrial chemicals and fertilisers, and the provision of related services. No significant changes have occurred in the nature of these activities during the financial year.

## Dividends

Dividends since IPL's 2020 Annual Report:

| Dividend type | Dividend per share | Total amount $mill | Franked percentage | Date of payment |
|---|---|---|---|---|
| **Paid during the financial year** | | | | |
| 2020 final dividend | Nil | Nil | N/A | N/A |
| 2021 interim dividend | 1.0 cent | 19.4 | 100% franked | 2 Jul 2021 |
| **To be paid after end of the financial year** | | | | |
| 2021 final dividend | 8.3 cents | 161.2 | 14% franked | 16 Dec 2021 |

## Review and results of operations

A review of the operations of the Company during the financial year, the results of those operations and the Company's financial position is contained in the OFR.

## Significant changes in the state of affairs

There have been no significant changes to the Group's state of affairs during the financial year other than the position with respect to Gibson Island. On 8 November 2021, IPL announced that it was unable to secure an economically viable long-term gas supply for its Gibson Island plant beyond its current gas supply arrangements which expire at the end of December 2022 and accordingly manufacturing operations at the site will cease at that date. The financial impact of the closure has been accounted for in the 2021 financial year. Further details are provided in the OFR and note 12 to the financial statements.

## Events subsequent to reporting date

In November 2021, the Board determined to pay a final dividend for the Company of 8.3 cents per share, 14% franked, to be paid on 16 December 2021. The record date for entitlement to this dividend is 2 December 2021. The total dividend payment will be $161.2m.

On 8 November 2021, IPL announced that manufacturing operations at Gibson Island will cease at the end of December 2022.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since the end of the financial year, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

## Likely developments

The OFR contains information on the Company's 2021 financial performance and prospects for future financial years, and refers to likely developments in the Company's operations and the expected results of these operations in future financial years. Information on likely developments in the Company's operations for future financial years and the expected results of those operations together with details that could give rise to material detriment to the Company (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) have not been included in this report where the directors believe it would likely result in unreasonable prejudice to the Company.

## Environmental regulation and performance

The operations of the Group are subject to environmental regulation under the jurisdiction of the countries in which those operations are conducted including Australia, United States of America, Mexico, Chile, Canada, Indonesia, Papua New Guinea and Turkey. The Group is committed to complying with environmental legislation, regulations, standards and licences relevant to its operations.

The environmental laws and regulations generally address certain aspects and potential impacts of the Group's activities in relation to, among other things, air and noise quality, soil, water, biodiversity and wildlife. The Group operates under a Global Health, Safety and Environment Management System which sets out guidelines on the Group's approach to environmental management, including a requirement for sites to undertake an Environmental Site Assessment.

In certain jurisdictions, the Group holds licences for some of its operations and activities from the relevant environmental regulator. The Group measures its compliance with such licences and reports statutory non-compliances as required.

Measurement of the Group's environmental performance, including determination of areas of focus and assessment of projects to be undertaken, is based not only on the actual impact of incidents, but also upon the potential consequence, consistent with IPL's risk-based focus.

During the year, the Group has continued to focus on licence compliance and identification and mitigation of environmental risks. Remediation works have progressed at a number of sites in Australia and the United States.

Environmental performance has seen a substantial improvement with zero Significant Environmental Incidents reported in the 2021 financial year. This result has highlighted the importance of delivering specific environmental improvement plans to achieve sustainable improvement. The implementation of our Compliance Management Framework, with a continued focus on environmental compliance across the organisation through automation, increased controls, and improved practices has delivered significant improvement in our environmental performance.

During the 2021 financial year, a Penalty Infringement Notice (PIN) for $13,345 was issued to Phosphate Hill operations on 18 December 2020 by the Department of Environment and Science (DES) for an incident that occurred in the 2020 financial year. This fine was issued for the contravention of a condition of the site environmental licence relating to the capacity of a gypsum storage facility spillway. The DES was advised proactively of this situation in September 2020. Construction works to rectify the spillway capacity are underway.

In the United States, ongoing compliance monitoring and implementation of physical improvements at both the Carthage and Louisiana, Missouri sites is progressing to plan. Both sites submit quarterly reports to the Environmental Protection Agency (EPA) documenting the status of this progression and to date have met all Consent Decree milestones.

## Indemnities and insurance

The Company's Constitution provides that, to the extent permitted by law, the Company must indemnify any person who is, or has been, a director or secretary of the Company against any liability incurred by that person including any liability incurred as an officer of the Company or a subsidiary of the Company and legal costs incurred by that person in defending an action.

The Constitution further provides that the Company may enter into an agreement with any current or former director or secretary or a person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities.

In accordance with the Company's Constitution, the Company has entered into Deeds of Access, Indemnity and Insurance with each director of the Company and certain officer's and members of senior management. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring directors and officers of the Group against any liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

## Auditor independence and non-audit services

Deloitte Touche Tohmatsu (Deloitte) was appointed as the Company's external auditor at the 2011 Annual General Meeting and continues in office in accordance with section 327B(2) of the *Corporations Act 2001*. Mr Tim Richards is the Company's lead audit partner for the 2021 financial year.

The Group may decide to engage the auditor, Deloitte, for the provision of non-audit services, where such services are not in conflict with their role as auditor and their expertise and/or detailed experience with the Company may allow cost efficiencies for the work.

The Board has considered the position and, in accordance with advice received by the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year by Deloitte is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and does not compromise the external auditor's independence.

The Board also notes:

» the engagements for all non-audit services provided by Deloitte were reviewed by the Chief Financial Officer, and where relevant, approved by the Audit and Risk Management Committee, in accordance with the Committee's Charter and the Company's policy on the engagement of the external auditor for the provision of non-audit services to ensure they do not impact the integrity and objectivity of the auditor; and

» the non-audit services provided by Deloitte did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks or rewards.

Deloitte provided non-audit services to the amount of $70.4k during the year ended 30 September 2021 (refer to note 23 to the financial statements).

The lead auditor has provided a written declaration that no professional engagement for the Group has been carried out during the year that would impair Deloitte's independence as auditor. A copy of the auditor's independence declaration is set out on page 44 and forms part of this report.

## Proceedings on behalf of IPL

No application has been made under section 237 of the *Corporations Act 2001* in respect of IPL, and there are no proceedings that a person has brought or intervened in on behalf of IPL under that section.

## Rounding

As the Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one hundred thousand dollars.

The Directors' Report, which includes the OFR and the Remuneration Report, is signed in accordance with a resolution of the directors of Incitec Pivot Limited.

**Brian Kruger**
Chairman

**Jeanne Johns**
Managing Director & CEO

15 November 2021


BATTERY
Dyno
Groundbreaking

# OPERATING & FINANCIAL REVIEW

## Group Overview

IPL is a leading supplier in the resources and agricultural sectors with an unrelenting focus on Zero Harm. With a team of 5000 plus dedicated employees, the Company adds value to its customers through manufacturing excellence, leading technology solutions, innovation and world class services focused on the needs of its customers. Sustainability is interlinked with IPL's strategy which is aimed at delivering sustainable growth and shareholder returns, while proactively managing those issues most material to the long-term sustainability of our business, the broader environment, and the communities in which we operate.

IPL operates through three business units, details of which are set out in this review:

» Dyno Nobel Americas;
» Dyno Nobel Asia Pacific; and
» Fertilisers Asia Pacific.

Through Dyno Nobel, the Company plays a critical role in releasing the worlds natural resources, to help build infrastructure and generate the energy we need to live in a modern world.

Through Incitec Pivot Fertilisers' 100-year heritage in Australian agriculture, IPL plays an important role in enabling sustainable food production to meet the rapidly rising demand for food around the world.

IPL leverages its nitrogen manufacturing expertise with a global approach to standards and processes, complemented and enhanced by regional oversight and operational discipline.

The Company has operations in Australia, North America, Europe, Asia, Latin America and Africa.

## Dyno Nobel Americas

The Dyno Nobel Americas business comprises three businesses:

» Explosives;
» Agriculture & Industrial Chemicals; and
» Waggaman operations.

### Explosives

Dyno Nobel is the second largest industrial explosives distributor in North America by volume. It provides ammonium nitrate, initiating systems and services to the Quarry & Construction sector across the US; the Base & Precious Metals sector in the US mid-West, US West and Canada; and to the Coal sector in the Powder River Basin, Illinois Basin and Appalachia.

In North America, Dyno Nobel manufactures ammonium nitrate at its Cheyenne, Wyoming and Louisiana, Missouri plants. The Cheyenne, Wyoming plant is adjacent to the Powder River Basin, North America's most competitive thermal coal mining region and is well positioned to service Base & Precious Metals in Western US. The Louisiana, Missouri plant has a competitive logistic footprint from which to support mining in both the Illinois Basin and Appalachia, as well as Quarry & Construction in the US mid-West.

Initiating systems are manufactured at Dyno Nobel's facilities in Connecticut, Kentucky, Illinois, Missouri, Chile and Mexico, and are also sourced from DetNet South Africa (Pty) Ltd (DetNet), an IPL electronics joint venture.

### Agriculture & Industrial Chemicals

The Dyno Nobel Americas business manufactures and distributes nitrogen-based fertilisers in the United States from its St Helens, Oregon and Cheyenne, Wyoming plants. Nitrogen based fertilisers and other industrial chemical products are also produced as a by-product at the Louisiana, Missouri plant.

### Waggaman Operations

The Dyno Nobel Americas business manufactures and distributes ammonia at its Waggaman, Louisiana plant in the United States. Ammonia produced at Waggaman is used in Dyno Nobel's manufacturing process and is also sold to third parties under long term contractual arrangements.

## Dyno Nobel Asia Pacific

Through Dyno Nobel Asia Pacific, IPL provides ammonium nitrate based industrial explosives, initiating systems and services to the Metallurgical Coal and Base & Precious Metals sectors in Australia, and internationally to a number of countries including Indonesia, Papua New Guinea and Turkey through its subsidiaries and joint ventures. Ammonium nitrate is often sold in conjunction with proprietary initiating systems and services.

Dyno Nobel is the second largest industrial explosives distributor in Australia by volume, which in turn is the world's third largest industrial explosives market. In Australia, Dyno Nobel primarily supplies its products to metallurgical coal mines in the east and to iron ore mines in the west.

In Australia, Dyno Nobel manufactures ammonium nitrate at its Moranbah ammonium nitrate plant, which is located in the Bowen Basin, the world's premier metallurgical coal region. It also sources third party ammonium nitrate including in Western Australia to service the Iron ore and Underground sectors.

Initiating systems are manufactured in Australia at Dyno Nobel's Helidon, Queensland facility and are also sourced from IPL facilities in the Americas and from DetNet (South African joint venture).

## Fertilisers Asia Pacific

IPL's Fertilisers business in Australia is the largest domestic manufacturer and supplier of fertilisers by volume.

Internationally, the Fertilisers business sells to major offshore agricultural markets in Asia Pacific, the Indian subcontinent, Brazil and the United States. It also procures fertilisers from overseas manufacturers to meet domestic seasonal peaks. Much of this activity is conducted through Quantum Fertilisers Limited, a Hong Kong based subsidiary.

The Fertilisers business manufactures the following fertilisers at three locations:

» Phosphate Hill: Di/mono-ammonium phosphate (DAP/MAP);
» Gibson Island (manufacturing to cease from the end of December 2022): Ammonia (Big N), Granulated ammonium sulphate (GranAm) and Urea; and
» Geelong: Single Super Phosphate (SSP).

# GROUP SUMMARY

| IPL GROUP | Year ended 30 September FY21 A$m | FY20 A$m | Change A$m |
|---|---|---|---|
| **Reported Revenue and Earnings** | | | |
| Revenue | 4,348.5 | 3,942.2 | 406.3 |
| EBITDA ex IMIs | 934.9 | 730.5 | 204.4 |
| **EBIT ex IMIs** | 566.4 | 374.5 | 191.9 |
| **NPAT ex IMIs** | **358.6** | **188.2** | **170.4** |
| IMIs after tax | (209.5) | (64.8) | (144.7) |
| **Group NPAT** | **149.1** | **123.4** | **25.7** |
| **Shareholder Returns** | | | |
| **Cents Per Share** | | | |
| Earnings per share ex IMIs | 18.5 | 10.9 | |
| Total Dividend | 9.3 | – | |
| **Credit Metrics** | **30-Sep-21** | **30-Sep-20** | |
| Net debt [1] | (1,004.2) | (1,028.7) | |
| Net debt / EBITDA (ex IMIs) [2] | 1.1x | 1.4X | |
| Interest Cover [3] | 9.7x | 6.1x | |

## Net Profit After Tax (NPAT) excluding Individually Material Items (ex IMIs)

IPL reported NPAT ex IMIs of $359m, an increase of 91% compared to $188m in the pcp.

## Individually Material Items (IMIs)

NPAT for FY21 includes $209m (FY20: $65m) of after-tax IMIs relating to the closure of IPLs manufacturing facilities at Gibson Island, Queensland, and the non-cash impairment of manufacturing assets at IPLs plant in Cheyenne, Wyoming. The cash costs of these items (pre-tax) are $84m.

## Shareholder Returns and Dividends

Earnings per share (EPS) ex IMIs of 18.5 cents per share increased by 7.6 cents per share compared to FY20 EPS of 10.9 cents.

A final dividend of 8.3 cents per share 14% franked has been declared, representing a 50 percent payout ratio of NPAT ex IMIs.

## Net Debt

Net debt decreased by $25m to $1,004m at 30 September 2021 (pcp: $1,029m) and Net Debt/EBITDA ex IMIs decreased to 1.1x (pcp: 1.4x). The Group's investment grade credit ratings were maintained:

» S&P: BBB (stable outlook)

» Moody's: Baa2 (stable outlook)

## Zero Harm

IPL's Company values are at the core of how it operates, with the health, safety and wellbeing of its people being the most important of its values. IPL's Total Recordable Injury Frequency Rate [4] (TRIFR) for the rolling twelve-month period ended 30 September 2021 was 0.87, which is above IPLs target of 0.70, and an increase from 0.58 at 30 September 2020. The Company maintained its strong environmental safety record with zero Significant Environmental Incidents [5] during the year (pcp: 1). There were 38 Process Safety Incidents [6] recorded in FY21 (pcp:24). IPL recorded a small increase in Potential High Severity Incidents [7] with 36 (pcp: 34). IPL has refreshed its safety programs to drive improvement in FY22.

# FINANCIAL PERFORMANCE

| INCOME STATEMENT | Year ended 30 September FY21 A$m | FY20 A$m | Change % |
|---|---|---|---|
| **Revenue** | | | |
| **Business Revenue** | | | |
| DNA | 1,588.7 | 1,506.5 | 5% |
| DNAP | 937.8 | 999.2 | (6%) |
| Fertilisers APAC | 1,894.6 | 1,502.0 | 26% |
| Eliminations | (72.6) | (65.5) | (11%) |
| **Group Revenue** | **4,348.5** | **3,942.2** | **10%** |
| **EBIT** | | | |
| **Business EBIT ex IMIs** | | | |
| DNA | 189.9 | 230.8 | (18%) |
| DNAP | 140.2 | 149.3 | (6%) |
| Fertilisers APAC | 268.4 | 26.2 | 924% |
| Eliminations | (1.8) | (0.1) | nm* |
| Corporate | (30.3) | (31.7) | 4% |
| **Group EBIT ex IMIs** | **566.4** | **374.5** | **51%** |
| *EBIT margin* | *13.0%* | *9.5%* | |
| **NPAT** | | | |
| Underlying interest expense [8] | (107.4) | (130.0) | 17% |
| Non-cash unwinding liabilities | (5.4) | (5.7) | 5% |
| **Net borrowing costs** | **(112.8)** | **(135.7)** | **17%** |
| Tax expense ex IMIs | (95.0) | (50.6) | (88%) |
| **NPAT excluding IMIs** | **358.6** | **188.2** | **91%** |
| IMIs after tax | (209.5) | (64.8) | (223%) |
| **Group NPAT** | **149.1** | **123.4** | **21%** |
| **Financial Key Performance Indicators** | | | |
| ROIC | 5.8% | 3.6% | 61% |
| Free Cashflow [9] | 267 | 199 | 34% |

** not meaningful*

(1) Net Debt comprises the net of interest-bearing liabilities, cash and cash equivalents, and the fair value of derivative instruments economically hedging the Group's interest bearing liabilities and excludes lease liabilities.
(2) Net debt/EBITDA ratio (for debt covenant purposes). EBITDA is calculated using 12 month rolling EBITDA ex IMIs, minus lease depreciation. Net Debt is translated at the 12 month average AUD:USD FX rate.
(3) Interest Cover = 12 month rolling EBITDA (minus lease depreciation) ex IMIs/net interest expense before accounting adjustments.
(4) TRIFR is calculated as the number of recordable incidents per 200,000 hours worked and includes contractors. TRIFR results are subject to finalisation of the classification of any pending incidents. Prior year end number was restated due to finalisation of classification of incidents pending at the time of previous publication date.
(5) Significant Environmental Incidents as assessed against IPL's internal risk matrix with actual consequences of 5 or higher on a 6-level scale.
(6) Tier 1 and Tier 2 Process Safety Incidents as defined by the Center for Chemical Process Safety.
(7) Potential High Severity Incidents (excluding near misses and hazards) with potential safety consequences of 5 or higher on a 6-level scale.
(8) Underlying interest expense represents total borrowing costs less non-cash interest unwind, representing the discount unwind on the Group's long-term liabilities.
(9) Free cashflow = operating cashflows less investing cashflows (excluding investing cashflows from derivatives) less lease liability principal payments.

## FY21 Business Review

The Group reported FY21 Earnings Before Interest and Tax (EBIT) of $566m, an increase of $191m compared to pcp. Major movements for the year were as follows:

**Manufacturing Performance:** The $47m net decrease was primarily incurred due to unplanned outages in North America. FY21 production rates in Australia were largely in line with nameplate.

**Hurricanes:** Production at the Waggaman, LA, plant was impacted by two separate hurricanes. In order to protect staff and equipment, in anticipation of Hurricane Ida, the Waggaman plant was proactively brought down and secured. Despite Hurricane Ida being the second-most damaging and intense hurricane on record to make landfall in the U.S. State of Louisiana, the site suffered only minor physical damage. Once power was restored to the Waggaman site, the plant was quickly brought back to full production.

**Manufacturing Plant Turnarounds:** FY21 was a heavy period for turnarounds, with the impact of COVID-19 causing some activity to be deferred from FY20 into FY21. The 4 turnarounds undertaken during the year had a negative impact on earnings of $122m. The planned turnarounds were undertaken at Mt. Isa, Qld, St. Helens, OR, Waggaman, LA and Moranbah, Qld.

**Americas Explosives:** $20m net increase (excluding Response Plan benefits and the negative impact from manufacturing). Customer growth (principally in metals), COVID-19 demand recovery and increased earnings from technology was partially offset by a $7m earnings decline from soft US thermal coal demand.

**Asia Pacific Explosives:** $3m net decrease (excluding Response Plan savings and the impact of the Moranbah turnaround). Increased earnings from technology and premium product sales were offset by the impacts of contract re-basing (now complete), loss of a metals customer and lower international earnings (largely COVID-19 related).

**Asia Pacific Fertilisers:** $8m net decrease (excluding Response Plan savings and negative impacts related to planned turnarounds and a non-repeat insurance recovery received in FY20). A 2.7% increase in total fertiliser volumes sold was offset by costs related to an increased investment in distribution assets ($5m) and higher depreciation charges ($10m) as a result of the FY20 turnaround at Gibson Island.

**Commodity Prices & Foreign Exchange:** $350m net increase. The favourable impact of $446m from higher commodity prices was partially offset by a $96m negative impact from a higher average A$:US$ exchange rate.

**Response Plan:** $40m net benefit from sustainable cost savings (pcp: $20m). The full Response Plan target of $60m has been delivered 12 months early and is now complete.

## Interest

Underlying interest expense [(1)] of $107m decreased $23m, or 17%, compared to pcp. The decrease was mainly due to lower debt following the $646m equity raising in 2020 having a favourable impact of $20m. This was partially offset by a $14m increase relating to the buyback of long-term bonds. A favourable movement in the A$:US$ exchange rate and lower interest rates compared to pcp benefited interest expense by approximately $8m and $9m respectively. Interest expense also includes Lease interest, Amortisation of line fees and Provision discount unwind expense.

## Tax

The Group's effective tax rate on operating profit of 21% is unchanged from the 21% reported in the pcp. Tax expense (excluding IMIs) of $95m was $44m higher than the pcp, consistent with higher earnings.

## Individually Material Items

NPAT includes the following items, classified as IMIs:

| IMIs | Gross A$m | Tax A$m | Net A$m |
|---|---|---|---|
| Non-cash impairment of Cheyenne manufacturing assets | 107.4 | (28.0) | 79.4 |
| Gibson Island gas manufacturing plant closure | | | |
| – Cash cost of closure | 83.5 | (25.1) | 58.4 |
| – Non-cash impairment of assets | 102.5 | (30.8) | 71.7 |
| **Total** | **293.4** | **(83.9)** | **209.5** |

## Cheyenne Impairment

The further structural decline in thermal coal markets has been identified as an indicator of impairment that impacts DNA's Cheyenne manufacturing plant, and specifically the nitric acid production utilisation rates. The future reconfiguration of the plant to reduce Nitric acid production capacity in line with lower market volumes, resulted in an impairment of $107.4m.

## Gibson Island manufacturing plant closure

Despite extensive efforts, IPL had been unable to secure an economically viable long-term gas supply for its Gibson Island plant beyond its current contract. As a result, IPL decided to cease manufacturing operations at the site at the end of the current gas supply arrangements, which expire in December 2022. The majority of the cash costs associated with the closure ($58m after tax) are expected to be incurred in FY23. IPL's Brisbane fertiliser distribution capability will continue beyond the closure of the manufacturing operations.

(1) Underlying interest expense represents total borrowing costs less non-cash interest unwind, representing the discount unwind on the Group's long-term liabilities.

# FINANCIAL POSITION

| BALANCE SHEET A$m | 30 Sep 2021 | 30 Sep 2020 | Change A$m |
|---|---|---|---|
| | Year ended 30 September | | |
| **Assets** | | | |
| TWC – Fertilisers APAC | (120.6) | (151.1) | 30.5 |
| TWC – Explosives | 241.3 | 165.9 | 75.4 |
| **Group TWC** | **120.7** | **14.8** | **105.9** |
| Net PP&E | 3,928.9 | 4,071.7 | (142.8) |
| Lease assets | 214.5 | 221.1 | (6.6) |
| Intangible assets | 3,000.9 | 3,019.7 | (18.8) |
| **Total Assets** | **7,265.0** | **7,327.3** | **(62.3)** |
| **Liabilities** | | | |
| Environmental & restructure liabilities | (242.7) | (161.7) | (81.0) |
| Tax liabilities | (415.0) | (437.0) | 22.0 |
| Lease liabilities | (242.5) | (247.7) | 5.2 |
| Net other asset/(liabilities) | 8.0 | (248.9) | 256.9 |
| Net debt | (1,004.2) | (1,028.7) | 24.5 |
| **Total Liabilities** | **(1,896.4)** | **(2,124.0)** | **227.6** |
| **Net Assets** | **5,368.6** | **5,203.3** | **165.3** |
| **Equity** | **5,368.6** | **5,203.3** | **165.3** |
| **Key Performance Indicators** | | | |
| Net Tangible Assets per Share | 1.22 | 1.12 | |
| Fertilisers APAC – Ave TWC % Rev [(1)] | 15.3% | 19.1% | |
| Explosives – Ave TWC % Rev [(1)] | 16.9% | 17.2% | |
| Group – Average TWC % Rev [(1)] | 16.2% | 18.1% | |
| **Credit Metrics** | | | |
| Net debt | (1,004.2) | (1,028.7) | |
| Net debt / EBITDA (ex IMIs) | 1.1x | 1.4x | |
| Interest Cover | 9.7x | 6.1x | |

Major movements in the Group's Balance Sheet during the year include:

## Assets

- **Trade Working Capital (TWC)**: Net increase of $106m. The movement was mainly due to the lower utilisation of trade working capital financing facilities of $80m and increases in the Australian dollar equivalent of US dollar denominated inventory. Underlying trade working capital (excluding the impact of financing facilities) as a percentage of sales decreased by 2% compared with the pcp, reflecting strong cash flow focus.
- **Net Property, Plant & Equipment (PP&E)**: Decrease of $143m. Mainly driven by the depreciation charge for the year of $303m and impairment of assets of $213m. This is partially offset by accrual spend on sustenance and turnaround capital expenditure of $318m and minor growth capital expenditure of $52m.
- **Intangible Assets:** Decrease of $19m. Mainly driven by the amortisation charge for the year of $23m and the impact of foreign currency translation of non-A$ denominated assets of $8m. These movements were partially offset by additions (including goodwill) of $12m.

## Liabilities

- **Environmental & restructure liabilities**: Increase of $81m. Largely due to Gibson Island manufacturing closure provisions.
- **Net Other assets/(liabilities):** Decrease of $257m. Mainly due to market value movements and maturities of derivative hedging instruments (excluding debt hedges) of $293m, partially offset by an increase in capital accruals of $21m.
- **Net Debt**: Decrease of $25m. Mainly due to strong cash generation driven by rising commodity prices offset by a reduction in the use of trade working capital financing facilities (-$80m), payments related to sustenance capital expenditure (-$304m) and a $274m decrease in balance sheet derivatives. Further details of movements in Net Debt are provided in the Cashflow section of this report.

## Net Debt & Debt Hedges

| NET DEBT A$m | Maturity Month/Year | Facility Amount | Drawn Amount | Undrawn Amount |
|---|---|---|---|---|
| Syndicated Term Loan | 04/24 | 768.6 | – | 768.6 |
| EMTN / Regulation S notes | 02/26 | 100.2 | 100.2 | – |
| Medium Term Notes | 03/26 | 431.3 | 431.3 | – |
| EMTN / Regulation S Notes | 08/27 | 425.8 | 425.8 | – |
| US Private Placement Notes | 10/28 | 348.2 | 348.2 | – |
| US Private Placement Notes | 10/30 | 348.2 | 348.2 | – |
| **Total Debt** | | **2,422.3** | **1,653.7** | **768.6** |
| Fair value and other adjustments | | | (4.4) | |
| Loans to JVs, associates/other short term facilities | | | 19.5 | |
| Cash and cash equivalents | | | (651.8) | |
| Fair value of hedges | | | (12.8) | |
| **Net debt** | | | **1,004.2** | |
| **Net debt/EBITDA** | | | **1.1x** | |

The fair value of Net debt hedges at 30 September 2021 was an asset of $13m, a decrease of $274m compared to the balance at 30 September 2020 of $287m. The decrease was mainly due to the unwind of derivatives that hedged the foreign exchange rate exposure of the Group's USD borrowings.

| FINANCIAL INDEBTEDNESS | 30 Sep 2021 A$m | 30 Sep 2020 A$m | Change A$m |
|---|---|---|---|
| Net debt (excluding hedges) | 1,017 | 1,316 | (299) |
| Lease liabilities | 243 | 248 | (5) |
| Trade working capital financing facilities | 332 | 412 | (80) |
| Total Financial Indebtedness | 1,592 | 1,976 | (384) |

Financial indebtedness reduced by $384m through the year. Net debt (excluding hedges) reduced by $299m mainly due to strong operating cashflows ($730m - excluding $80m of trade working capital facilities reduction) offset by sustenance capital expenditure ($304m) and growth capital expenditure ($51m). Reliance on trade working capital financing facilities has been reduced by over $300m since March 2020 to a sustainable level of $332m at year end.

(1) Average TWC as % of revenue = 13-month average trade working capital excluding financing facilities/12 months rolling revenue.

## Credit Metrics

**Net Debt/EBITDA:** The ratio of 1.1x improved by 0.3x compared with the pcp. The improvement is primarily a result of higher earnings in FY21 with EBITDA (ex IMIs) improving 28% over the pcp.

**Interest Cover**: Improved to 9.7x (pcp: 6.1x).

**Credit Ratings:** Investment Grade credit ratings remained unchanged:

» S&P: BBB (stable outlook)

» Moody's: Baa2 (stable outlook)

## Debt Facilities

IPL has sufficient liquidity and headroom with $769m of available undrawn committed debt facilities at 30 September 2021.

The average tenor of the Group's debt facilities at 30 September 2021 is 5.1 years (September 2020: 5.1 years). No committed debt facilities are due to mature until April 2024.

In March 2021, IPL cancelled its US domiciled Syndicated Term facility (US$500m) and its Australian domiciled Syndicated Term facility (A$122m and US$109m). Both facilities were due to mature in October 2021. These cancelled facilities were replaced by a Syndicated Term facility domiciled in Australia and consisting of two tranches: Tranche A has a limit of A$490m and Tranche B has a limit of US$200m. The facility matures in April 2024.

In November 2020, following invitations to the holders of the Group's outstanding notes under the EMTN and AMTN programmes to tender their notes, IPL repurchased US$94m of its US$400m Reg-S bond and A$19m of its A$450m AMTN bond.

## Trade Working Capital Facilities

IPL uses TWC facilities to effectively manage the Group's cash flows, which are impacted by seasonality, demand and supply variability.

The Group has a non-recourse receivable purchasing agreement to sell certain domestic and international receivables to an unrelated entity in exchange for cash. As at 30 September 2021, receivables totalling $124m (30 September 2020: $116m) had been sold under the receivable purchasing agreement.

IPL also offers suppliers the opportunity to use supply chain financing. The Group evaluates supplier arrangements against several indicators to assess whether to classify outstanding amounts as payables or borrowings. The balance of the supply chain finance program, classified as payables, at 30 September 2021 was $208m (30 September 2020: $296m).

## Capital Allocation

IPL's capital allocation process is centralised and overseen by the Group's Corporate Finance function. Capital is invested on a prioritised basis and all submissions are assessed against risk factors including HSE, sustainability, operational, financial and other strategic risks. Capital is broadly categorised into major growth capital, minor growth capital and sustenance capital.

The table below includes a summary of cash spend per business on growth and sustenance capital:

| | Year ended 30 September | | |
|---|---|---|---|
| **IPL GROUP** | **FY21 A$m** | **FY20 A$m** | **Change A$m** |
| **Capital Expenditure** | | | |
| DNA | 24.6 | 18.6 | 6.0 |
| DNAP | 18.6 | 34.7 | (16.1) |
| Fertilisers | 8.0 | 6.9 | 1.1 |
| **Minor growth capital** | **51.2** | **60.2** | **(9.0)** |
| DNA | 165.5 | 50.8 | 114.7 |
| DNAP | 75.8 | 25.5 | 50.3 |
| Fertilisers | 62.5 | 141.9 | (79.4) |
| **Sustenance** | **303.8** | **218.2** | **85.6** |
| **Total** | **355.0** | **278.4** | **76.6** |

There were no major growth capital spend items in FY21. Minor growth spend of $51m in FY21 included plant efficiency projects and other projects supporting volume growth and technology investments.

Sustenance capital spend in FY21 of $304m was $86m higher than pcp, largely due to the heavy turnaround program in FY21 plus the additional costs previously disclosed related to the post turnaround issues at Waggaman, LA. Turnaround spend across the Group for FY21 was $150m. The remaining sustenance spend was made up of various sustenance projects with the vast majority of project values being less than $5m each.

# CASH FLOW

| CASH FLOW | FY21 A$m | FY20 A$m | Change A$m |
|---|---|---|---|
| | Year ended 30 September | | |
| **Operating Cash Flow** | | | |
| EBITDA ex IMIs | 934.9 | 730.5 | 204.4 |
| Net Interest paid | (108.7) | (135.5) | 26.8 |
| Net income tax paid | (33.1) | (13.7) | (19.4) |
| TWC movement (excl FX movements) | (126.1) | (8.4) | (117.7) |
| Profit from JVs and associates | (41.9) | (32.3) | (9.6) |
| Dividends received from JVs | 44.6 | 30.9 | 13.7 |
| Environmental and site clean-up | (4.8) | (8.0) | 3.2 |
| Restructuring costs | (19.1) | (8.0) | (11.1) |
| Other Non-TWC | 4.4 | (10.4) | 14.8 |
| **Operating Cash Flow** | **650.2** | **545.1** | **105.1** |
| **Investing Cash Flow** | | | |
| Minor growth capital | (51.2) | (60.2) | 9.0 |
| Sustenance | (303.8) | (218.2) | (85.6) |
| Payments – Central Petroleum Joint operation | (4.4) | (9.8) | 5.4 |
| Proceeds from asset sales | 5.7 | 7.4 | (1.7) |
| Repayments from JV | 19.9 | – | 19.9 |
| Acquisition of subsidiaries & non-controlling interests | (8.5) | (23.4) | 14.9 |
| Payments for settlement of derivatives | (0.1) | (75.2) | 75.1 |
| **Investing Cash Flow** | **(342.4)** | **(379.4)** | **37.0** |
| **Financing Cash Flow** | | | |
| Dividends paid to members of IPL | (19.4) | (30.7) | 11.3 |
| Lease liability payments | (41.4) | (41.9) | 0.5 |
| Purchase of IPL shares for employees | (1.0) | (1.3) | 0.3 |
| Proceeds on issue of shares | – | 645.5 | (645.5) |
| Realised market value gain on derivatives | 8.5 | 10.3 | (1.8) |
| Non-cash loss on translation of US$ Net Debt | (225.9) | (78.2) | (147.7) |
| Non-cash movement in Net Debt | (4.1) | (6.7) | 2.6 |
| **Financing Cash Flow** | **(283.3)** | **497.0** | **(780.3)** |
| **Change to Net debt** | **24.5** | **662.7** | **(638.2)** |
| Opening balance Net debt | (1,028.7) | (1,691.4) | 662.7 |
| **Closing balance Net debt** | **(1,004.2)** | **(1,028.7)** | **24.5** |

## Operating Cash Flow

Operating cash flows of $650m increased by $105m compared to the pcp. Significant movements included:

**EBITDA:** Increased by $204m driven by favourable realised commodity price movements ($446m) partially offset by unfavourable movements in the A$:US$ exchange rate ($96m). Reduced manufacturing volumes resulting from planned turnarounds ($122m), extreme weather events ($32m) and unplanned plant outages ($47m) negatively impacted earnings. Downstream business earnings (excluding manufacturing, Response Plan savings and non-controllables) remained relatively flat compared with the pcp. The Response Plan delivered an additional $40m of sustainable cost savings, $10m ahead of the FY21 target.

**Net Interest Paid:** Decreased by $27m, principally as a result of lower average drawn debt levels following the Group's $646m equity raising in 2020, favourable foreign exchange movements and lower interest rates. This was partially offset by one-off interest payments relating to bond repurchases.

**TWC Movement:** $118m increase compared to the pcp largely as a result of lower usage of trade working capital financing facilities (down $80m on pcp).

**Dividends received from JV's:** Increased by $14m as a result of timing of payments and increased profits from JVs.

**Restructuring costs:** Increased $11m due to payments against the Group's Response Plan provisions raised in the FY20 financial year.

**Other Non-TWC:** Improved $15m compared to the pcp largely as a result of timing of payments and accruals.

## Investing Cash Flow

Net investing cash outflows of $342m decreased $37m as compared to the pcp. Significant movements included:

**Capital spend:** Higher sustenance spend reflecting the heavy turnaround program in FY21 plus the additional costs previously disclosed related to the post turnaround issues at Waggaman, LA.

**Loan repayment from JV:** Cash inflow of $20m reflects the repayment of a loan provided to Queensland Nitrates Pty Ltd.

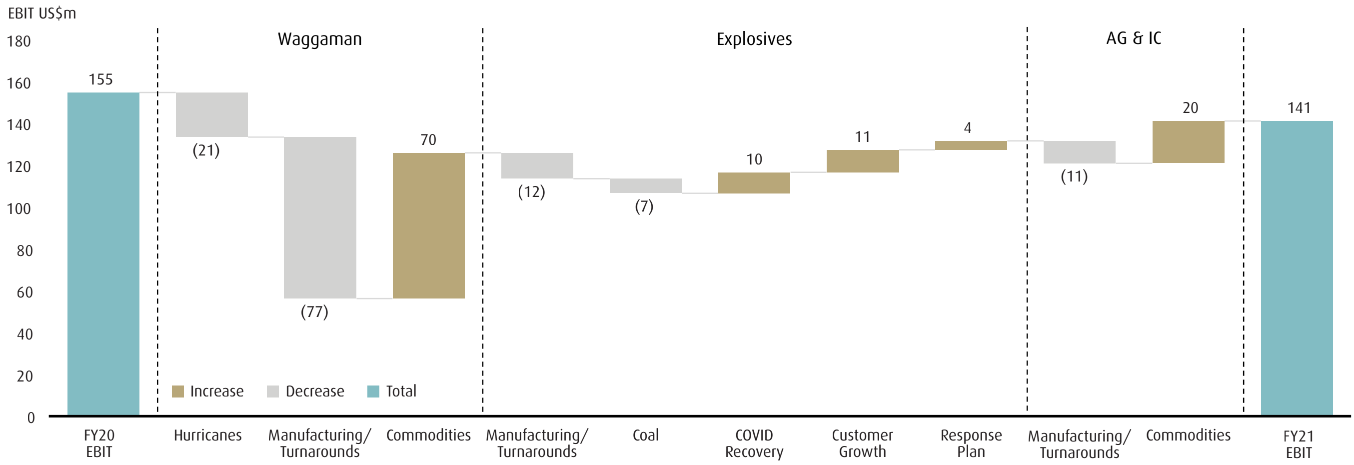
## Financing Cash Flow

Net financing cash outflow of $283m was $780m unfavourable compared with the pcp. Significant movements included:

**Proceeds on issue of shares:** The $646m unfavourable movement reflects the FY20 equity issue. No new equity was issued in FY21.

**Foreign Exchange on Net Debt**: The year on year movement of $148m mainly reflects the net impact of the unwind of Net Debt hedges. The unwinding of the hedges was undertaken to simplify the balance sheet and align reported Net Debt with the Group's cash position.

# DYNO NOBEL AMERICAS




| | Year ended 30 September | | |
|---|---|---|---|
| **Dyno Nobel Americas** | **FY21 US$m** | **FY20 US$m** | **Change %** |
| Explosives | 883.3 | 768.4 | 15 |
| Waggaman | 175.9 | 124.5 | 41 |
| Ag & IC | 133.5 | 126.0 | 6 |
| **Total Revenue** | **1,192.7** | **1,018.9** | **17** |
| Explosives | 126.7 | 121.1 | 5 |
| Waggaman | 3.6 | 32.4 | (89) |
| Ag & IC | 10.9 | 1.3 | 738 |
| **EBIT** | **141.2** | **154.8** | **(9)** |
| ***EBIT margin*** | | | |
| *Explosives* | *14.3%* | *15.8%* | |
| *Waggaman* | *2.0%* | *26.0%* | |
| *Ag & IC* | 8.2% | *1.0%* | |
| **A$m** | | | |
| **Revenue** | **1,588.7** | **1,506.5** | **5** |
| **EBIT** | **189.9** | **230.8** | **(18)** |

Dyno Nobel Americas FY21 earnings of US$141m decreased US$14m or 9% compared to the pcp. Outlined below are the major earnings movements during the year for each business.

## Explosives

### *Business Performance*

Explosives earnings for FY21 of US$127m was US$6m higher than the pcp. principally due to the following:

**EBIT Margins:** The pass through of higher US gas prices on sales of bulk ammonium nitrate has a negative impact on explosives EBIT margins. After adjusting for the impact of manufacturing outages and gas pass throughs, EBIT margins were 16%.

**Customer Growth:** $11m growth in volumes, primarily driven by customer growth in Canada (Gold) and metals mining in western USA. Chile continues to see incremental volume increases through successful trials of premium products. Quarry & Construction volumes in the second half recovered from a slow first half to leave the full year just 1% down on the pcp.

**COVID-19 Recoveries:** US$10m from increased international and domestic sales of initiating systems as a result of general recoveries from the COVID-19 lows of FY20.

**Coal Volumes:** US$7m decline (unchanged from the first half). As forecast at the half year, coal volumes in the second half improved and were 2% above the pcp. This was a significant improvement on the first half where the business was impacted by bankruptcies in this sector.

**Response Plan:** US$4m benefit from sustainable operational productivity measures, including cost efficiency gains.

**Manufacturing:** The negative earnings impact of US$12m reflects the previously announced outages at the Cheyenne, WY. and Louisiana, MO plants. These plants recovered well and performed to plan in the second half.

### *Market Summary*

*Quarry & Construction*

43% of Explosives revenue was generated from the Quarry & Construction sector in FY21 (43% pcp). After a slow, weather impacted first half, where volumes were down 5% on the pcp., volumes recovered through the second half to finish down just 1% on a full year basis.

*Base & Precious Metals*

39% of Explosives revenue was generated from the Base & Precious Metals sector in FY21 (35% pcp). Volumes grew by 22% during the year with revenues growing 27% compared to the pcp. The primary drivers of these increases were gold volumes in Canada and sales into the metals markets in western regions of the US. Product trials in Chile continue to be successful with volumes increasing over the pcp.

*Coal*

18% of Explosives revenue was generated from the Coal sector in FY21 (22% pcp). Volumes were down 12% versus the pcp. with customer closures in the Illinois coal basin adversely impacting DNA volumes compared to the overall market, which was flat year on year. Excluding the impact of the bankruptcies, DNA volumes into the coal sector were down 1% on the pcp.

## Agriculture & Industrial Chemicals (Ag & IC)

| AG & IC | FY21 US$m | FY20 US$m | Change % |
|---|---|---|---|
| | Year ended 30 September | | |
| **US$m** | | | |
| **Total Revenue** | **133.5** | **126.0** | **6** |
| **EBIT** | **10.9** | **1.3** | **738** |
| *EBIT margin* | *8.2%* | *1.0%* | |

### *Business Performance*

Ag & IC FY21 earnings of US$11m was US$10m more than the pcp., due to the following:

**Manufacturing/Turnaround:** Earnings were negatively impacted by US$11m in FY21 because of the planned outage at the St. Helens, OR plant (US$5m), minor production issues (US$2m) and additional depreciation (US$3m).

**Commodity Prices:** Favourable Urea and UAN pricing improved earnings by US$20m versus the pcp.

## Waggaman Operations

| WAGGAMAN | FY21 | FY20 | Change % |
|---|---|---|---|
| | Year ended 30 September | | |
| **Thousand metric tonne** | | | |
| Ammonia manufactured at Waggaman | 437.2 | 729.0 | (40) |
| Ammonia sold | 563.5 | 730.0 | (23) |
| **US$m** | | | |
| External Revenue | 175.9 | 124.5 | 41 |
| Internal Revenue | 39.0 | 40.0 | (3) |
| **Total Revenue** | **214.9** | **164.5** | **31** |
| **EBIT** | **3.6** | **32.4** | **(89)** |
| *EBIT margin* | *2.0%* | *26.0%* | |

### *Business Performance*

Waggaman earnings of US$4m, decreased US$29m compared to the pcp due to the following:

**Turnaround – Planned:** As previously disclosed, the FY21 turnaround negatively impacted earnings by US$58m.

**Adverse Weather:** As previously announced, the Waggaman site was proactively shut ahead of Hurricane Ida in order to protect site personnel and the plant. Despite the intensity of the storm, the site only suffered minor physical damage. Once power was restored, the plant was brought back to full production as per plan. The negative earnings impact of this outage, and a minor hurricane related outage from earlier in the year, was US$21m.

**Manufacturing Reliability:** In total, the Waggaman plant produced 437k metric tonnes of Ammonia which was 40% lower than the pcp. Sales of Ammonia reduced by 23% compared to the pcp, with shortfalls in produced ammonia being replaced by third party supplies. Gas efficiency was adversely impacted by the plant outages, with gas usage per metric tonne of ammonia produced averaging 40 mmbtu/mt (35 pcp).

Pre-turnaround, the plant had interruptions to production that resulted in 4 weeks of total downtime, the most consequential of which was caused by the failure of the regional power grid in the New Orleans area from Hurricane Zeta.

As previously disclosed, the plant went through its first major turnaround during FY21. The plant entered the planned turnaround with several known maintenance issues, all of which were addressed as part of the turnaround activities. During the discovery phase and subsequent re-start process, a number of unexpected issues emerged including issues with the ammonia cooler, dry gas seals and the induced draft fan. These issues caused a further 6.5-week delay to full production.

While the ammonia cooler (heat exchanger) was repaired during the turnaround, the initial fabrication issues prevented a permanent repair, requiring a replacement of the cooler in the next 6-18 months. An outage of up to 3 weeks is expected during FY22 or FY23 to allow installation. To date, the cooler has performed well with no signs of accelerated deterioration.

The plant operated at nameplate production until it was deliberately brought down to protect the site personnel and the plant ahead of Hurricane Ida. Once power was restored to the site, the plant was re-started and brought back to full production as per plan. The disclosed estimate of a 4 week outage from Hurricane Ida was shortened by 4 days due to a flawless re-start.

Post turnaround, and post the outage for Hurricane Ida, the plant has been operating reliably and in line with nameplate capacity. Gas efficiency has improved to efficiency levels previously achieved.

Excluding the impact of the planned turnaround and adverse weather events, the additional outages referenced above had a negative earnings impact of US$19m.

**Ammonia Price:** A strong upswing in ammonia prices in the second half favourably impacted full year earnings by US$70m.

**Discount to Tampa Ammonia price:** The average discount to the Tampa benchmark, allowing for the one-month lag embedded in sales contracts, was approximately 5% in FY21. The FY21 average discount has been impacted by timing differences in the lost production and the rapid increase of the ammonia price, particularly in the second half of the financial year. "through the cycle" pricing for internal sales to the DNA Explosives business impacts the calculated average discount to the benchmark, particularly when ammonia prices are elevated.

Approximately 20% of nameplate production is sold to the DNA Explosives business at prices that are not linked to movements in the Tampa benchmark. The remaining sales are priced at the Tampa benchmark price, less a discount that ranges between 6% and 8%, with the higher end of the range applying to prices above US$500/t.

### *Other Manufacturing*

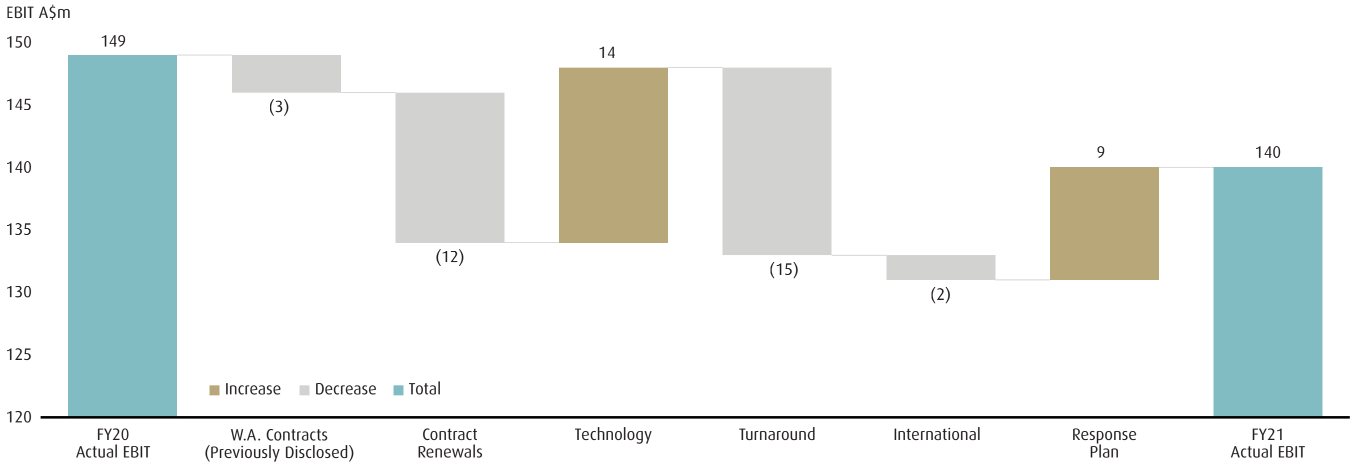
Manufacturing performance in the Explosives and Ag & IC businesses during FY21 was as follows:

**Cheyenne, Wyoming:** Cheyenne ammonia operations were impacted by an unplanned outage caused by a bearing failure on the reciprocal compressor. As a result, ammonia production was down 5% compared to pcp. Nitric Acid production increased by 4% compared to pcp.

**Louisiana, Missouri:** Louisiana operations were impacted by an unplanned outage caused by blade failure on the axial compressor. As a result, Nitric Acid production decreased by 14% compared with pcp.

**St Helens, Oregon:** Urea and ammonia production from the St Helens plant decreased 19% and 16% respectively, compared to the pcp., mainly due to the planned turnaround.

# DYNO NOBEL ASIA PACIFIC




| | Year ended 30 September | | |
|---|---|---|---|
| **DYNO NOBEL ASIA PACIFIC** | **FY21** | **FY20** | **Change %** |
| **Thousand metric tonne** | | | |
| Ammonium Nitrate – manufactured at Moranbah | 346.5 | 371.3 | (7) |
| Ammonium Nitrate sold | 683.7 | 762.6 | (10) |
| **A$m** | | | |
| Australian Coal | 471.6 | 472.4 | (0) |
| Base & Precious Metals | 377.3 | 415.5 | (9) |
| International | 88.9 | 111.3 | (20) |
| **Total Revenue** | **937.8** | **999.2** | **(6)** |
| **EBIT** | **140.2** | **149.3** | **(6)** |
| *EBIT margin* | *15.0%* | *14.9%* | |

## *Business Performance*

Dyno Nobel Asia Pacific FY21 earnings of $140m, decreased $9m compared to the pcp. due to the following:

**Technology:** $14m increase on the pcp, in line with guidance provided in FY20, technology growth has more than offset recontracting impacts.

**Contract Renewals:** $12m net decrease, driven by the loss of a metals customer and lower ammonium nitrate pricing on contract renewals in Australia, offset in part by new metals business.

**Turnaround:** As per previous guidance, the impact of the Moranbah turnaround was $15m.

**Response Plan:** $9m increase, driven by sustainable cost savings, mainly across the Commercial business and the Moranbah plant.

**W.A. Contracts:** $3m decrease, final impact from contracts lost in FY18 in Western Australia, in line with previous guidance.

**International:** $2m net decrease. The Indonesian business was impacted by lower demand which was mainly a result of COVID-19. The Turkish business was impacted by a slowdown in construction activity and a weaker Turkish Lira.

## *Market Summary*

*Australian Metallurgical Coal*

50% of Dyno Nobel Asia Pacific revenue for the year was generated from the Australian Metallurgical Coal sector, most of which was from supply to mines in the Bowen Basin.

Volumes from the Metallurgical Coal sector were flat year on year as miners successfully diversified their customer base (primarily to India) in response to bans imposed by China on imports of Australian coal from November 2020.

*Base & Precious Metals*

40% of Dyno Nobel Asia Pacific revenue was generated from the Base & Precious Metals sector, which comprises iron ore mines in Western Australia and hard rock and underground mines throughout Australia.

Volumes from the sector decreased 13% compared to pcp, mainly due to the previously disclosed loss of a metals customer.

*International*

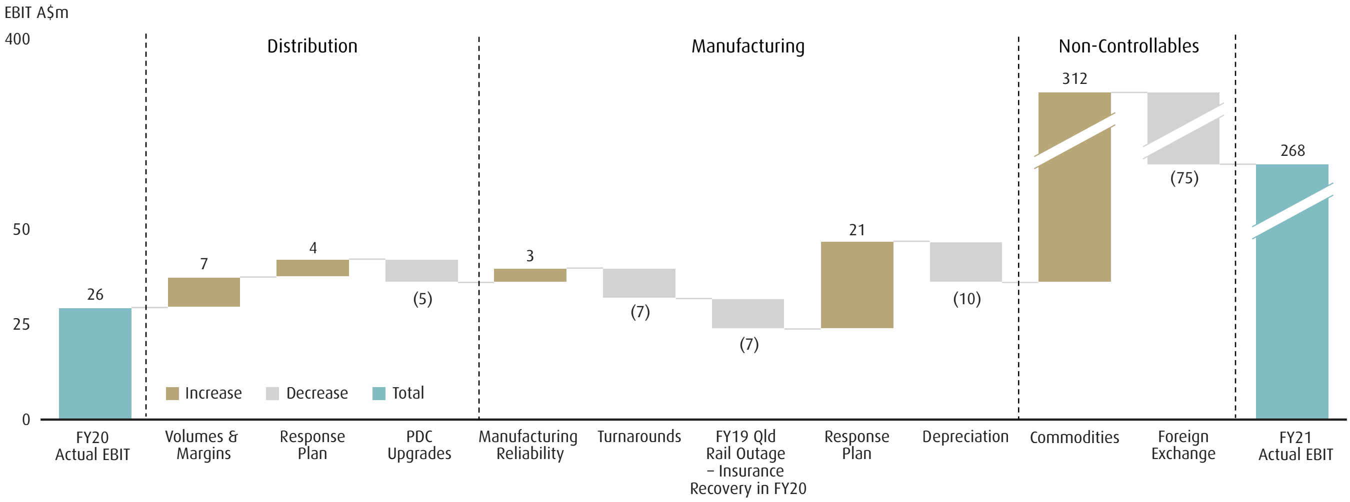
10% of Dyno Nobel Asia Pacific revenue was generated internationally in Indonesia, Turkey and Papua New Guinea.

Volumes decreased by 30% compared to the pcp. Volumes in the Indonesian business were significantly impacted due to mining activity being disrupted by COVID-19. Volumes in the Turkish business (Nitromak) have been impacted by reduced construction.

## *Manufacturing*

Allowing for the impact of the planned turnaround, Moranbah performed well producing 347k mt of ammonium nitrate during the year. Although the plant was in the last phase of its operating cycle, the plant produced at nameplate (excluding the outage for the turnaround).

# FERTILISERS ASIA PACIFIC




| FERTILISERS ASIA PACIFIC | Year ended 30 September FY21 | FY20 | Change % |
|---|---|---|---|
| **Thousand metric tonne** | | | |
| Phosphate Hill production (ammonium phosphates) | 958.4 | 979.3 | (2) |
| Gibson Island production (urea equivalent) | 498.5 | 400.5 | 24 |
| **A$m** | | | |
| Manufacturing | 836.4 | 554.4 | 53 |
| Distribution | 1,058.2 | 947.6 | 11 |
| **Fertilisers APAC Revenue** | **1,894.6** | **1,502.0** | **26** |
| Manufacturing | 208.8 | (28.4) | nm* |
| Distribution | 59.6 | 54.6 | 9 |
| **Fertilisers APAC EBIT** | **268.4** | **26.2** | **924** |
| *EBIT margin* | *14.2%* | *1.7%* | |

* Not meaningful

## *Business Performance*

Fertilisers Asia Pacific earnings of $268m was $242m higher than the pcp. Major movements for the year were due to the following:

**Volumes and Margins:** Increased distribution volumes more than offset a slight decline in EBIT margins for a net improvement of $7m for the year.

**PDC Upgrades:** Upgrades to primary distribution centres, primarily at Gibson Island, resulted in increased costs ($5m) being incurred for the sourcing of alternative storage facilities and associated logistics costs.

**Manufacturing Reliability:** $3m net increase at last years pricing, largely due to higher production volume at Phosphate Hill (excluding planned Ammonia shutdown).

**Planned Plant Shutdowns:** $7m decrease. A planned shutdown of Ammonia production at Phosphate Hill (aligned with Mt. Isa's Sulphuric Acid plant shut, which coincided with Glencore's copper smelter shut) negatively impacted earnings by $13m compared to the pcp. This was partially offset (+$5m) by higher production of Urea at the Gibson Island plant compared to FY20 which was impacted by a turnaround in that period.

**1H19 Queensland Rail Outage – Insurance recovery:** The FY20 result included a non-recurring insurance receipt of $7m in relation to losses incurred from the 2019 Queensland rail outage.

**Depreciation:** The FY20 turnaround at Gibson Island and the FY21 turnaround at Mt. Isa resulted in higher depreciation charges of approximately $10m.

**Response Plan:** Savings of $25m predominantly from sustainable reductions in operational expenses at Phosphate Hill and Gibson Island.

**Foreign Exchange and Commodity Prices:** $237m net increase, due to higher global fertiliser prices improving the result by $312m (after allowing for a negative $5m impact from tiered gas pricing at Gibson Island), partially offset by unfavourable movements in the A$:US$ exchange rate impacting the result by $75m.

## *Market Summary*

Total Fertilisers Asia Pacific sales volumes of 3,220k metric tonnes was 3% higher than FY20 sales of 3,136k metric tonnes. Agronomic conditions have been generally favourable with La Nina rain events increasing soil moisture and water storage levels, producing the highest sales volume since 2005.

The favourable water levels supported good sales of liquid fertilisers which were up 30% year on year.

Global fertilisers prices traded significantly higher in FY21 with realised Ammonium Phosphate prices improving by more than 72% compared with the pcp. The supply and demand dynamic remains broadly favourable to support strong prices in the near term.

Progress on the soil health strategy continues, highlighted by the introduction of Precision Ag and an increase in Nutrient Advantage earnings.

### Manufacturing

Manufacturing performance in the Fertilisers Asia Pacific business in FY21 was as follows:

### Phosphate Hill

Ammonium phosphates production decreased to 958k mt, down 2% on pcp mainly due to a planned shutdown at Mt. Isa which impacted the supply of Sulphur. Plant reliability for the year was 96%, an improvement of 3% over the prior year.

Ammonium phosphates cost per tonne was impacted by a number of factors, the most consequential being the increased cost of sulphur. Increased freight, gas (CPI) and depreciation costs were partially offset by Response Plan savings.

### Gibson Island

The plant produced 499k mt of urea equivalent product, up 24% on pcp. The majority of this improvement is due to FY20 being impacted by a planned major turnaround.

# OUTLOOK AND SENSITIVITIES

IPL does not generally provide profit guidance, primarily due to the variability of commodity prices and foreign exchange movements. Instead, IPL provides an outlook for business performance expectations and sensitivities to key earnings drivers based on management's current view at the time of this report.

## Outlook

*COVID-19*

To date, IPL has not been materially impacted by COVID-19.

The extent of the future impact of COVID-19 on the Group's operational and financial performance depends on certain developments, including the duration and spread of the outbreak (including the impact of variants), regulations imposed by governments with respect to ongoing management of the pandemic, and the impact of the pandemic on the global economy, including commodity prices, customer demand, supply chains and inflation.

*Capital Expenditure*

Subject to currency fluctuations, underlying sustenance capital spend for FY22 is expected to be approximately $320m with the final two large manufacturing turnarounds scheduled for FY22. A further $50m of one-off sustenance expenditure is expected to be spent on:

» upgrades of Brisbane area distribution assets ($25m); and

» installation of equipment to provide steam independence at Waggaman, Louisiana ($25m).

Land sales to the value of $50m are expected to offset sustenance expenditure for a net total spend of $320m.

*Explosives Technology*

» Targeting technology driven Explosives EBIT growth of 10% between FY20 and FY22.

*Dyno Nobel Americas*

» Apart from a potential outage of up to 3 weeks to allow installation of a replacement cooler (if required), the Waggaman plant is expected to produce at nameplate capacity in FY22. The operational earnings of Waggaman remain subject to movements in ammonia and natural gas prices.

» Agriculture & Industrial Chemicals earnings remain subject to movements in global fertilisers prices, particularly Urea.

» Coal demand is expected to decline by 5% through FY22. Potential carbon legislation could pose further risk to coal demand going forward.

» A planned turnaround at Cheyenne in the second half of FY22 is expected to result in 6-8 weeks of lost production.

» Quarry and Construction is expected to continue a slow recovery driven by residential and infrastructure. Growth from the US Federal Government infrastructure bill is likely to take time to filter through to volumes and may not produce material upside in FY22. Volume growth of 3% to 5% is expected.

» Elevated commodity prices should support demand in the Base and Precious Metals sector. Dyno volume growth expected to be slightly above market growth.

*Dyno Nobel Asia Pacific*

» Moranbah is expected to operate at nameplate capacity post the FY21 turnaround.

» With Moranbah foundation customer contracts having been renegotiated, the negative earnings impact (compared to prior periods) resulting from contract re-basing is not expected to impact DNAP earnings going forward.

» Recovery in earnings from the International businesses is expected but remains subject to customer demand and COVID-19 management within the offshore markets.

» In line with previous disclosure, the unfavourable Western Australian supply arrangements cease in FY22 resulting in a boost to earnings (compared to FY21) of approximately $11m. Investments in capital required to support customer needs and future growth, combined with Moranbah turnaround expenditure will result in depreciation increasing by approximately $6m in FY22 compared with FY21.

*Fertilisers Asia Pacific*

» Fertilisers earnings will continue to be dependent on global fertilisers prices, the A$:US$ exchange rate and weather conditions.

» Weather conditions across Eastern Australia remain favourable, with many cropping and pasture districts receiving above average rainfall. Increased soil moisture levels in most districts on the East Coast, coupled with high dam levels is expected to drive demand for fertiliser.

» Farm economics are expected to remain favourable through FY22 with farmer cashflows supportive of strong fertiliser demand.

» A planned turnaround at Phosphate Hill in the second half of FY22 is expected to result in 6-8 weeks of lost production.

» Phosphate Hill is expected to run at 90% of nameplate capacity through to the May 2022 turnaround, and at 100% namplate capacity thereafter.

» Based on FY21 realised DAP price and average AUD:USD exchange rate, the earnings impact from the 6-8 week FY22 turnaround is approximately $73m.

» Gibson Island is expected to produce at rates in line with FY21. The forecast costs of closure have been included as an IMI in the FY21 result. The majority of the cashflow related to the closure will occur in FY23.

*Group*

**Corporate:** Corporate costs are expected to be approximately $37m in FY22, which includes investments in Energy Transition ($2m), International business development ($3m) and HR Organisational Development and Diversity.

**Borrowing Costs:** Net borrowing costs for FY22 are expected to be approximately $104m, due to the impact of lower average borrowings.

**Taxation:** IPL's effective tax rate for FY22 is expected to be between 23% and 25%.

**Hedging Program:** 67% of estimated FY22 US$ linked fertilisers sales are hedged at a rate of $0.77 with full participation down to $0.725. The remaining 33% is unhedged.*Sensitivities*

The table provides sensitivities to key earnings drivers excluding the impact of hedging.

| Commodity | Proxy Index | EBIT Sensitivities |
|---|---|---|
| **Americas** | | |
| Ammonia (1) | CFR Tampa | +/- US$10/mt = +/-U$6.6m |
| Natural Gas (2) | Henry Hub | +/- US$0.10/mmbtu = -/+ US$2.2m |
| Urea (3) | FOB NOLA | +/- US$10/mt = +/-U$1.8m |
| FX EBIT Translation (4) | | +/- A$/US$0.01 = -/+ A$3.5m |
| **Asia Pacific** | | |
| AP (5) | FOB China/Saudi | +/- US$10/mt = +/-A$11.5m |
| Urea(6) | FOB Middle East | +/- US$10/mt = +/-A$3.6m |
| FX EBIT Transactional (5)(6) | | +/- A$/US$0.01 = -/+A$10.3m |

Note: Proxy Index prices are available on Bloomberg.

(1) Based on 800k mt Waggaman plant nameplate production less internal sales volumes of 143k mt.
(2) Based on 800k mt Waggaman plant nameplate production less internal sales volumes of 143k mt.and gas efficiency of 33.6 mmbtu/tonne of ammonia.
(3) Based on St Helens plant capacity of 175k mt of urea equivalent product.
(4) Based on actual FY19 Dyno Nobel Americas EBIT (excluding Non-Recurring Items) of US$200m and an average foreign exchange rate of A$/U$ 0.75.
(5) Based on Phosphate Hill plant nameplate production of 1 million tonnes less an allowance for 7 weeks lost production resulting from the planned turnaround; average market forecast price DAP price of US$524; and an average foreign exchange rate of A$/U$ 0.75.
(6) Based on actual FY21 Gibson Island production sold subject to urea price movement of 364k mt; average realised FY21 urea price of US$373; an average foreign exchange rate of A$/U$ 0.75; and tiered pricing on Gibson Island gas contracts.

# PRINCIPAL RISKS

Set out below are the principal risks and uncertainties associated with IPL's business and operations. These risks, which may occur individually or concurrently, could significantly affect the Group's business and operations. The ongoing impacts of the COVID-19 pandemic have the potential to exacerbate some of the risks described below. There may be additional risks unknown to IPL and other risks, currently believed to be immaterial, which could become material. In addition, any loss from such risks may not be recoverable in whole or in part under IPL's insurance policies. The treatment strategies noted below are not exhaustive and do not remove the risks; while in some cases they may either partially or fully mitigate the exposure, residual risk remains.

The Group's process for managing risk is set out in the Corporate Governance Statement.

| Broad Risk Category | Description and potential consequences | Treatment strategies employed by IPL |
|---|---|---|
| **Strategy** | IPL operates in highly competitive markets with varying competitor dynamics and industry structures. The actions of established or potential competitors could have a negative impact on sales and market share and hence the Group's financial performance.<br><br>In respect of IPL's advanced technologies, there is a risk that the intellectual property may be replicated or challenged, resulting in potential loss of business.<br><br>IPL's fertiliser operations compete against global manufacturers many of whom have lower input costs and may enjoy regulatory and economic advantages.<br><br>A number of entities in the IPL Group currently undertake or are parties to joint ventures in different jurisdictions. Where IPL does not have operational control over these joint ventures, there is a risk that IPL's financial performance or reputation may be adversely impacted.<br><br>The global energy transition that is occurring in response to climate change is changing market dynamics and presents strategic risks and opportunities for IPL. These may include a rapid transition away from fossil fuels, which would likely significantly decrease demand for thermal coal, and a shift to new technologies, such as renewable hydrogen. | » IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings.<br><br>» IPL continues to invest in new technologies and premium product offerings in order to meet the needs of its customers while limiting both IPL's, and its customers', carbon footprints.<br><br>» Where IPL is a party to a joint venture without having operational control, oversight of the joint venture's operations, governance practices and risk management activities is maintained through membership on the entity's Board of Directors, Board Audit and Risk Management Committee and/or Committee of Management. In addition, IPL receives regular operational and financial reports and conducts periodic audits.<br><br>» IPL monitors long term growth trends in the mining sector through industry forecasts of commodities demand, which are shifting away from thermal coal towards the metals required for the energy transition. These trends have been incorporated into IPL's business strategy through aligning its explosives business growth with predicted customer demand profiles by segment and the delivery of technology solutions to leverage these. The IPL Decarbonisation and Energy Steering Committee provides ongoing focus and executive sponsorship of projects and strategic opportunities as it seeks to leverage key decarbonisation megatrends to exploit new profitable markets in its core geographies. |
| **Health, Safety, Environment & Community** | IPL's operations are inherently high risk. IPL operates 15 key manufacturing and assembly sites and is exposed to operational risks associated with the manufacture, transportation and storage of fertilisers, ammonium nitrate, initiating systems, industrial chemicals and industrial explosives products.<br><br>These operational risks include an unintended detonation of explosives, or unintended toxic release or fire/explosion during manufacture, transportation or storage.<br><br>IPL's business, and that of its customers and suppliers, is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations, failure to abide by the laws and/or licensing conditions, or changes to licence conditions, may have a detrimental effect on IPL's operations and financial performance. Where IPL vacates a site, additional environmental remediation obligations may arise. Depending on the extent and nature of contamination, remediation obligations could be significant.<br><br>Due to the nature of industrial and agricultural chemicals, IPL's operations have the potential to impact on local communities. This may include unintended chemical releases, or noise, dust and/or odour pollution. | » A comprehensive Health, Safety, Environment and Community (HSEC) management system is in place.<br><br>» Where remedial obligations are identified, an analysis is undertaken to assess any potential costs. Where applicable, provisions are made in the accounts in line with relevant accounting standards.<br><br>» HSEC risk identification, mitigation and management strategies are employed at all times and across all sites.<br><br>» Systems and procedures, including Standard Operating Procedures and Work Instructions, are established, documented, implemented and maintained to reduce HSEC risk in all work activities.<br><br>» Appropriate workers' compensation programs are in place globally to assist employees who have been injured while at work, including external insurance coverage.<br><br>» The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.<br><br>» IPL has measures in place to monitor, manage and prevent potential negative impacts on local communities which may arise. Where required by law, sites communicate regularly with the community regarding Community Safety Plans which describe the emergency procedures that should be followed to keep the community safe in the unlikely event of a potential incident. |

| Broad Risk Category | Description and potential consequences | Treatment strategies employed by IPL |
|---|---|---|
| **Climate Change** | IPL acknowledges the mainstream science on the existence of climate change. The Company has developed a Net Zero Pathway and has set an ambition to achieve Net Zero emissions by 2050, or sooner if practicable. Climate change is a material and strategic issue for the business and IPL faces a number of transitional and physical risks across the Group that will require ongoing and active management.<br><br>The impact of carbon emissions, and governments' policies and actions to limit them, may have an impact on IPL's operations and supply chains. The extent of the physical and transitional impacts will be influenced by factors such as whether there are policies and actions aimed at a rapid decarbonisation of the global economy, or whether less stringent approaches are taken. Physical impacts could include more severe extreme weather events, such as droughts, floods and hurricanes. Transitional impacts may include changes to regulations that could result in an increase to the cost base or operating cost of plants, and market shifts. A detailed discussion of the risks and opportunities identified through IPL's comprehensive assessment can be found in the IPL Climate Change Report (2021). (1) | » IPL has been increasing its disclosures against the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines since 2018. The risks and opportunities faced by the Group, including the physical risks associated with climate change, have informed IPL's climate change strategy. Like other business risks and opportunities, those associated with the physical impacts of climate change and the global energy transition require strong oversight and strategic management. Risks and opportunities have been incorporated into the Group's strategy, and comprehensive governance structures are in place to manage them. These are described in Chapter 1 of the IPL Climate Change Report (2021).<br><br>» Through engagement with an expert third party in 2021, a comprehensive assessment has been completed of IPL's physical and transitional risks and opportunities associated with climate change. The assessment was conducted in line with TCFD guidelines using four future climate related scenarios created specifically for IPL. These were 1.5°, 2°, Inevitable Policy Response (IPR) and Current Trajectory (3°+) scenarios. These scenarios, the risks and opportunities identified, their materiality and the management strategies for each are reported in detail in Chapter 4 of the IPL Climate Change Report (2021). |
| **COVID-19** | The COVID-19 pandemic has presented a range of challenges across the IPL Group. At all times the focus has been on the health and safety of the Group's employees, including their mental well-being while still ensuring business continuity. The COVID-19 pandemic has created a risk that an infection outbreak may occur at one or more manufacturing and/or distribution sites, which could impact minimum operator requirements and result in reduced production and/or output from one or more manufacturing and/or distribution sites. Additionally, there may be increased downtime due to staggered shift times and increased cleaning requirements. | » Employee health and welfare has been at the core of IPL's COVID-19 response. Flexible work arrangements have been put in place, where practical. Mental health awareness sessions have been held for employees and the Employee Assistance Program continues to be available globally for those who require additional assistance.<br><br>» Crisis Management Teams exist at various levels of management across the business to monitor the situation at a local level and escalate concerns as required. Physical distancing, face masks and staggered shifts have been introduced as far as practical. Where not practical, alternative controls such as plexi-glass screens have been implemented at work stations and employees are encouraged to work from home where they can. Increased hygiene and cleaning routines have been implemented and record keeping and contact tracing procedures are in place across the Group. |
| **Compliance** | IPL's business, and that of its customers and suppliers, is subject to various laws, policies and regulatory provisions across the jurisdictions in which it operates, including anti-bribery and corruption laws, sanctions, anti-trust laws, modern slavery, domestic or international laws relating to import and export quotas, tariffs and geopolitical risks relating to countries with which IPL, or its customers and suppliers, engages to buy or sell products and materials.<br><br>Failure to abide by, or changes in, these laws and regulatory provisions in any of the countries in which IPL operates or in which it has dealings may adversely impact its business, financial condition and operations, or the business, financial condition and operations of IPL's customers and suppliers, including reputational damage to IPL as well as legal action, and could impact on the willingness of parties, including financiers, to transact with IPL.<br><br>IPL is also exposed to potential legal and other claims or disputes in the course of its business and in connection with its operations.<br><br>Additionally, IPL manufactures or produces product to specific customer and industry specifications and statutory parameters. The Group is exposed to financial and reputational risk if these standards, requirements and limits are not met. | » Corporate functions are in place to provide sufficient support and guidance to ensure regulatory risks are identified and addressed, including regular reviews of country regulatory risk, comprehensive checks of customers and suppliers for compliance with relevant sanctions and modern slavery laws, and the undertaking of due diligence processes as required.<br><br>» IPL has dedicated resources to manage and monitor business processes against the compliance requirements for ethical procurement, including modern slavery.<br><br>» Where possible, IPL appoints local business leaders and management teams who bring a strong understanding of the local operating environment and strong customer relationships.<br><br>» IPL has a compliance management module in its primary HSEC-management software system which is used to actively monitor compliance and licence requirements across the business.<br><br>» IPL engages with governments and other key stakeholders to ensure potential adverse impacts of regulatory changes are understood and, where possible, mitigated.<br><br>» Regular training is provided to relevant staff on their obligations and reporting requirements under appropriate anti-bribery and corruption laws.<br><br>» IPL provides a whistleblower hotline where employees and third parties can anonymously notify the Group's General Counsel and Chief Risk Officer of any suspected fraudulent, illegal or unethical activity.<br><br>» IPL operates and manufactures products using detailed quality management systems. Quality assurance plans are in place for manufactured products intermediaries, procured products and raw materials. |

(1) Refer to IPL's Climate Change Policy (available on IPL's website) for further details on the Company's support for the international climate agreement developed at the 2015 Paris Conference of Parties.

| Broad Risk Category | Description and potential consequences | Treatment strategies employed by IPL |
|---|---|---|
| **People** | Despite the initial impact on employment from the COVID-19 pandemic, labour markets for highly-skilled roles remain challenging, particularly in Australia and the United States, where IPL's main manufacturing assets are located.<br><br>IPL has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent. A shortage of skilled people or loss of key personnel could disrupt IPL's business operations or adversely affect IPL's business and financial performance. | » IPL's People Strategy is focused on developing a diverse and inclusive business with the right people in the right roles, who are inspired and engaged. This includes controls such as building leadership capability aligned to an IPL culture that supports IPL's employee value proposition, market competitive STI and LTI programs and inclusion and diversity strategies.<br><br>» The Group has policies and procedures, including flexible working arrangements and competitive compensation structures, designed to help attract and retain the workforce.<br><br>» Management identifies critical roles and implements policies to help ensure that appropriate succession and retention plans are in place for those roles. |
| **Manufacturing** | IPL's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions (including high baseline water stress, resulting from climate change), natural disasters and severe weather events, unforeseen human error, sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and materially affect its financial performance.<br><br>Natural gas is the major input required for the production of ammonia and therefore is a critical feedstock for IPL's nitrogen manufacturing operations. Competitive and economic availability of natural gas is key when sourcing supply, as this impacts the variable cost of production of ammonia and significantly influences the plants' overall competitive position.<br><br>There is a risk that a reliable, committed source of natural gas at economically viable prices may not be available for the Australian manufacturing operations.<br><br>Sulphuric acid is a major raw material required for the production of ammonium phosphates. Approximately 50-60% of Phosphate Hill's sulphuric acid comes from processing metallurgical gas sourced from Glencore's Mt Isa Mines copper smelting facility. Sulphuric acid supply into Phosphate Hill would likely be negatively impacted, from a volume and/or price perspective, should the Mt Isa Mines copper smelter close.<br><br>IPL moved from a global manufacturing model to a new regional model during 2021 which has required management of significant business change which may result in some short term risks in relation to operating efficiencies, resourcing constraints and project execution. | » The Group continues to make manufacturing reliability a key strategic driver for the business. The objectives are to achieve safe, reliable and cost competitive operations underpinned by High Reliability Organisation (HRO) mindsets. Key priorities include stabilising production at Waggaman, Louisiana through a Reliability Taskforce and specific tactical plans to deliver reliability improvement and build capability across US Nitrogen plants. Focused improvements are underway to improve the consistency and efficiency of Turnaround and Capital Project execution.<br><br>» IPL undertakes business continuity planning and disaster preparedness across all sites.<br><br>» Global industrial special risk insurance is obtained from a variety of highly rated insurance companies to ensure the appropriate coverage is in place with regard to damage to the Group's plants and property and the associated costs arising from business interruptions.<br><br>» The Group has medium term gas contracts in place for its Australian manufacturing sites. The contracts have various tenures and pricing mechanisms. IPL explores new gas supply arrangements as an ongoing part of its operations, including through exploration activities on the tenement awarded to Central Petroleum Limited (Central) by the Queensland government in March 2018, in respect of which IPL has entered into a 50:50 joint venture with Central.<br><br>» The US natural gas market is a well-supplied and liquid market. The Americas business has short term gas supply arrangements in place for its gas needs with market referenced pricing mechanisms.<br><br>» In respect of the Americas business, there is an ability to hedge gas prices in accordance with policies approved by the Board.<br><br>» The Group has several sources of sulphuric acid for supply for Phosphate Hill including its Mt Isa operations, which produces sulphuric acid from burning imported elemental sulphur, and purchasing directly from a domestic smelter. In addition, Phosphate Hill uses phosphoric acid reclaimed from its gypsum stacks in place of sulphuric acid.<br><br>» The Group has started a life of mine project at Phosphate Hill with one leg of the work specifically looking at alternative sources of sulphuric acid for the Phosphate Hill operation to mitigate any potential loss of sulphuric acid from a Glencore smelter closure.<br><br>» The Group seeks to maintain or achieve low cost positions in its chosen markets, which helps its businesses to compete in changing and competitive environments.<br><br>» The new regional manufacturing model is designed to enhance operational efficiencies in the medium to longer term by integrating manufacturing sites with their regional supply chains, frontline operations and customer facing functions. However, a global reliability and asset strategy will remain in place to ensure that manufacturing standards, reliability improvements and capital investments are optimised across the Group. |

| Broad Risk Category | Description and potential consequences | Treatment strategies employed by IPL |
|---|---|---|
| **Customer** | IPL has strong relationships with key customers for the supply of products and services, and these relationships are fundamental to the Group's financial performance. The loss of key customer(s) may have a negative impact on the Group's financial performance.<br><br>Customer(s)' inability to pay their accounts when they fall due, or inability to continue purchasing from the Group due to financial distress, may expose the Group to customer credit risks. | » The Group attempts to diversify its customer base to reduce the potential impact of the loss of any single customer.<br><br>» Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships.<br><br>» The Group manages customer credit risks by monitoring and actively managing overdue amounts within policy guidelines, and through endeavouring to negotiate contractual terms that provide protection to address customer non-payment or financial distress.<br><br>» When appropriate, the Group purchases trade credit insurance to minimise credit risk. |
| **Supply Chain** | Timely and economic supply of key raw materials represents a potential risk to the Group's ability to manufacture and supply products. In some markets in which IPL operates, economic supply of key raw materials is reliant on only a few external parties and in some cases, only one.<br><br>In some markets, the availability of transportation routes for moving raw materials and finished product, such as rail, barge, truck and ship, as well as the methods for transporting key raw materials directly to sites, such as pipelines, underground aquifers and electricity networks, are reliant on only a few external parties. There is a risk that if these transportation routes or methods are disrupted, IPL's manufacturing and distribution capacities may be reduced.<br><br>There is a risk that if production is not sold and effectively moved from site, plant uptime and earnings could be negatively impacted should storage at site become full. Additionally, severe weather events, such as flooding and significant storms, in addition to the continued impacts of COVID-19 on global supply chain logistics, can also impact IPL's supply chains, plant uptime and earnings. | » Integrated Business Planning (IBP) and inventory processes assist in optimising inventory to reduce price risk of stock on hand and provide flexibility to mitigate the impacts of short term disruptions.<br><br>» Where possible, flexible supply chain and alternative sourcing solutions are explored and maintained as a contingency.<br><br>» Reviews of single-point sensitivity exposures within IPL's supply chain are undertaken. Where material risks are identified, contingency plans are developed, including identification of alternative sources of supply, additional storage capacity and increased safety stock.<br><br>» Plants have storage capacity, as well as logistics capability, that allows for offtake to be distributed via various channels, including via rail, truck, barge and pipeline.<br><br>» More detail on management strategies to mitigate the impacts of future extreme weather events on IPL's supply chains can be found in the IPL Climate Change Report (2021). |
| **Commodity Price** | Pricing for fertilisers, ammonia, ammonium nitrate and certain other industrial chemicals is linked to internationally traded commodities (for example, ammonia, ammonium phosphates and urea). Some raw materials, such as phosphate rock, is also an internationally traded commodity. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces, therefore price fluctuations in these products, combined with fluctuations in foreign currency exchange rates, particularly the A$/US$ rate, could adversely affect IPL's manufacturing operations and financial performance.<br><br>Weaker hard and soft commodity prices (particularly coal, iron ore, gold, corn, wheat, cotton and sugar) could have an adverse impact on the Group's customers and has the potential to impact the customers' demand, impacting volume and market prices. | » IPL manages commodity price risk via a trading book approach which allows the business to better manage its short and medium-term exposures to commodity price fluctuations, while taking into account its commercial obligations and the associated price risks.<br><br>» To ensure volume and price commitments are upheld, the Group has firm and enforceable customer supply contracts.<br><br>» The Group may enter into derivative contracts, where available on a needs basis, to mitigate commodity price risk. However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts. |
| **Demand** | The current global economic and business climate and any sustained downturn in the North American, South American, Asian, European or Australian economies may adversely impact IPL's overall performance by affecting demand for industrial explosives, industrial chemicals and fertilisers and related products and services, and profitability in respect of them.<br><br>The balance between supply and demand of the products that IPL manufactures and sells can greatly influence prices and plant utilisation. The structural shift in the North American energy sector, which has seen a movement away from coal-fired energy production towards natural gas has increased competitive pressure on some of IPL's major existing customers (giving rise to increased cost pressure on inputs to their supply such as explosives) and has also resulted in reduced demand for their outputs.<br><br>Reduced demand for steel inputs (in particular iron ore and metallurgical coal) can lead to a decrease in demand for explosives in these industries.<br><br>Seasonal conditions (particularly rainfall), are a key factor for determining demand and sales of explosives and fertilisers. Any prolonged change in weather patterns and severity of adverse weather conditions, as well as changes to growing regions in the Fertiliser business, could impact the future profitability and prospects of IPL. | » Diversification across explosives and fertilisers markets in numerous geographical locations helps manage exposures: IPL's international explosives businesses operate across geographically diverse locations with exposures to diverse sectors including coal, iron ore, quarry & construction and metals mining; IPL's Australian fertilisers business operates in all Australian States other than Western Australia and has diversity across market segments and customers serviced.<br><br>» Continuous review of country specific risks helps proactive management of potential exposures.<br><br>» The IBP process incorporates forecasting on a rolling 24-month basis which enables scenario planning and some supply flexibility. Forecasts are based on typical weather conditions and are reviewed on an ongoing basis as the seasons progress to help align supply to changing demand. |

| Broad Risk Category | Description and potential consequences | Treatment strategies employed by IPL |
|---|---|---|
| **Finance** | The appreciation or depreciation of the A$ against the US$ may materially affect IPL's financial performance through the translation of US$ denominated sales, borrowings and related interest payable.<br><br>Other financial risks that can impact IPL's earnings and/or ability to operate include the cost and availability of funds to meet its business needs, movements in interest rates and the imposition or removal of tariffs.<br><br>While IPL currently forecasts that it will have sufficient funds to meet its business needs and to service its debt requirements, no assurance can be given that, in the future, IPL will continue to have sufficient funds to meet its financial covenants, debt repayment obligations, or be able to refinance its debt prior to its expiry.<br><br>Changes in tax legislation or compliance requirements in the jurisdictions in which IPL operates, or changes in the policy or practices of the relevant tax authorities in such jurisdictions, may result in additional compliance costs and/or increased risk of regulatory action. | » IPL's capital management strategy is aimed at maintaining an investment grade credit profile, an appropriate mix of A$/US$ debt, funding flexibility by accessing different debt markets and reducing refinancing risk by ensuring a spread of debt maturities. A detailed discussion of financial risks is included in Note 17 (Financial Risk Management).<br><br>» Financial risk management is undertaken in accordance with policies, including hedging strategies, that are approved by the Board.<br><br>» IPL engages with governments and other key stakeholders to ensure potential adverse impacts of proposed fiscal and/or tax changes are understood and, where possible, mitigated. |
| **Security** | IPL's operations are vulnerable to sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and supply chain and materially affect its financial performance. | » IPL undertakes business continuity planning and disaster preparedness across all sites.<br><br>» The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.<br><br>» IPL's explosives and fertiliser storage facilities are fit-for-purpose and appropriately secured to minimise the risk of an unknown loss of product. |
| **Cyber** | Sensitive data, pertaining to IPL, its employees, associates, customers or suppliers, may be lost or exposed, resulting in a negative impact to reputation or competitive advantage, and potential breach of regulatory compliance obligations.<br><br>IPL's information technology and/or operating technology may be the target of cyber-attacks which could result in commercial, financial, health and safety, environmental, community or reputational impacts. The potential consequences include harm to personnel or the environment, loss of business or customer, financial loss, interference with compliance with regulations, interruption to operational business or processes, interruption to the ability to make, sell and ship product and damage to plant operating equipment. | » Policies, procedures and practices are in place regarding the use of company information, personal storage devices, IT systems and IT security.<br><br>» A data breach response plan has been established to respond to, and mitigate the effects of, any instances of sensitive data breaches that may occur.<br><br>» External testing is performed to assess the security controls of the Group's IT systems.<br><br>» Security Operations Centre, threat intelligence, advanced threat analytics, system/network controls and industry standard cyber frameworks are collectively leveraged for the prevention and detection of, and response against, cyber threats.<br><br>» Incident Response Plans, including Disaster Recovery arrangements, are in place to help IPL effectively respond to and recover from a cyber security incident. |

# REMUNERATION REPORT

## Introduction from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of Incitec Pivot Limited's (IPL or the Company) Remuneration Committee and the Board, I am pleased to present the Remuneration Report for 2021 which sets out the remuneration information for the Managing Director & Chief Executive Officer, Executive Key Management Personnel (KMP) and the Non-executive Directors.

### Our approach

The Remuneration Committee's objective is to ensure our remuneration framework delivers outcomes with a clear link to company and individual performance, and to IPL's long-term strategy and values. We were pleased to again receive strong support for our Remuneration Report at the 2020 Annual General Meeting.

### Financial Year 2021 in review

Setting financial targets for 2021 was challenging. Volatility in commodity markets combined with the ongoing impact of Covid-19 introduced more potential variability in expected results. During the year, business results were lifted by a substantial upturn in commodity prices and strong operating performance at Phosphate Hill. These factors more than compensated for substantial reliability issues encountered at Waggaman during the plant's first major maintenance shutdown. Unlike the prior two financial years, better than expected economic conditions for our products had an overall positive impact for Executive KMP incentive plan outcomes, as outlined below and in more detail throughout this report.

Health, Safety & Environment (HSE) outcomes for the year were mixed. Very positive outcomes were achieved in both Environment Incidents and Significant Event Management, however, these were somewhat offset by below expectation results for Personal Safety (TRIFR) and Process Safety. HSE remains a critical focus for our license to operate and ensuring the safety of all employees and the communities we work with.

Headline NPAT of $358.6 million was a positive result and was driven by strong commodity prices. Whilst the Adjusted NPAT [(1)] results collectively did not reach threshold, the Waggaman performance outcomes weighed heavily on what were otherwise around threshold across all three major business units.

Overall performance on strategy areas, as outlined in the report, has been solid.

### Executive changes for FY21 & FY22

There will be changes to people and structure of the Executive Team during 2022. Sunil Salhotra has recently joined in the role of Chief Strategy and Sustainability Officer and brings with him deep strategy and planning experience from within the resources sector. A new CFO will be announced in the new calendar year, and the new Manufacturing structure will be settled in time for the AGM. Decisions on the Executive KMP representation for the 2022 report will be made once the final structure is in place.

Tim Wall, President – Global Manufacturing & HSE ceased being a KMP on 16 July 2021 and left the company on 15 October 2021. The duties for this role were reassigned geographically to the President – Dyno Nobel Americas, and the President – Dyno Nobel Asia Pacific for the remainder of the financial year.

Long serving executive and current CFO, Nick Stratford, has resigned and will leave the company during the 2022 financial year. Nick will exit the organisation according to his contractual terms outlined in section 3.6 of this report.

### Fixed remuneration

There were no adjustments to fixed remuneration during the 2021 financial year.

A new regional manufacturing model will be introduced in the 2022 financial year that may result in fixed remuneration adjustments to some Executive KMP.

### Short-term incentive

After two years of no STI payments to Executive KMP, 2021 resulted in payments of slightly above half of the maximum levels. This was driven by a stretch Headline NPAT result, a target result for HSE and positive executive personal strategic metrics. The Adjusted NPAT result did not reach threshold due mainly to lower production from Waggaman. The CEO's STI result also was lower than other KMP, primarily due to the influence of Waggaman. For perspective and aligned with the better Executive STI outcomes in 2021, was the Company's share price increased in excess of 40% during the 2021 financial year.

Section 4.1 outlines additional information on the Company's 2021 performance and resulting STI outcomes are provided in section 4.3 of this report.

### Long-term incentive

For the 2018/21 LTI plan with the performance period ended on 30 September 2021, the performance conditions were relative Total Shareholder Returns (TSR) (weighted at 40%); Growth in Return on Equity (ROE) (weighted at 30%); and the delivery of Long Term Value Metrics (formerly Strategic Initiatives) (weighted at 30%). No performance rights will vest for the TSR component, as the Company delivered relative Total Shareholder Return below the median of the S&P/ASX 100 for the performance period. No performance rights relating to the ROE objective will vest, as the minimum level of ROE performance was not achieved. There will be partial vesting of 50% of performance rights emanating from achievements against the Long Term Value Metrics measures, which delivers an overall outcome of 15% across all measures.

More information on the LTI program, including the 2018 – 2021 performance, is provided in sections 3.3 and 4.4 of this report.

### 2022 Remuneration framework

Environment, Social & Governance (ESG) outcomes including objectives relating to safety, diversity, energy efficiency and greenhouse gas emissions have been included in relevant Executive KMP remuneration outcomes for several years now. This focus will be increased in the 2022 financial year, with relevant Executive KMP having a separate ESG element to their STI measures addressing the challenges and opportunities associated with greenhouse gas emissions and climate change. Additionally, the LTI 2021/24 Plan will include a new ESG metric focused on climate change and the reduction of greenhouse gas emissions in our operations.

Also, as a result of the 2021 manufacturing performance and the change to a regional manufacturing model, the MD&CEO and the Regional Presidents will have a new 2022 STI objective dedicated to manufacturing reliability for our operations.

We continue to review market trends to ensure our remuneration framework supports the execution of our strategies to increase shareholder value as well as retaining and motivating our key talent and ensuring alignment with our shareholders and other key stakeholders. We believe these adjustments for 2022 will assist the Company navigating through the dynamic and uncertain business conditions ahead. More information on the changes to the 2022 Remuneration framework can be found in section 5 of this report.

We look forward to ongoing dialogue with, and the support of our shareholders, and welcome your feedback and comments on any aspect of this Report.

**Greg Robinson**
Chairman

(1) Adjusted NPAT means that results have been normalised to remove the impact of foreign exchange and commodity price movements

# REMUNERATION REPORT CONTENTS



# 1. Introduction

The directors of Incitec Pivot Limited (IPL or the Company) present the Remuneration Report prepared in accordance with the Corporations Act 2001 (Cth) for the Company for the year ended 30 September 2021. This Remuneration Report is audited.

This Remuneration Report sets out remuneration information for Key Management Personnel (KMP) who had authority and responsibility for planning, directing and controlling the activities of the Company during the 2021 financial year, being each of the Non-executive Directors and designated Executives. The use of the term "Executives" in this report is a reference to the Managing Director & Chief Executive Officer (MD&CEO) and certain direct reports during the 2021 financial year. Refer to Table 1 below for all individuals comprising IPL's KMP for the 2021 financial year. All KMP held their positions for the entirety of the 2021 financial year, unless noted otherwise.

**Table 1 – Individuals forming IPL's KMP for the 2021 reporting period**

| Non-executive Directors | |
|---|---|
| **Current** | |
| Mr Brian Kruger | Chairman and Independent, Non-executive Director |
| Mr George Biltz (1) | Independent, Non-executive Director |
| Mr Bruce Brook | Independent, Non-executive Director |
| Ms Tonianne Dwyer (2) | Independent, Non-executive Director |
| Dr Xiaoling Liu | Independent, Non-executive Director |
| Mr Gregory Robinson | Independent, Non-executive Director |
| **Former** | |
| Ms Rebecca McGrath (3) | Independent, Non-executive Director |

| Executives | |
|---|---|
| **Current** | |
| Ms Jeanne Johns | Managing Director & Chief Executive Officer |
| Mr Nicholas Stratford | Chief Financial Officer |
| Mr Greg Hayne | President, Dyno Nobel Asia Pacific |
| Dr Braden Lusk | President, Dyno Nobel Americas |
| Mr Stephan Titze | President, Incitec Pivot Fertilisers |
| **Former** | |
| Mr Tim Wall (4) | President, Global Manufacturing & HSE |

(1) Mr Biltz commenced as an Independent, Non-executive Director with effect from 1 December 2020.

(2) Ms Dwyer commenced as an Independent, Non-executive Director with effect from 20 May 2021.

(3) Ms McGrath retired as an Independent, Non-executive Director on 18 December 2020.

(4) Mr Wall ceased as a KMP on 16 July 2021. The duties for this role were reassigned geographically to the President – Dyno Nobel Americas, and the President – Dyno Nobel Asia Pacific for the remainder of the financial year.

# 2. Executive Remuneration & Governance

## 2.1 Executive remuneration overview

In alignment with its remuneration strategy, the Board's policy on Executive remuneration is that it comprises both a fixed remuneration component (FAR) and "at risk" or performance-related components (short term incentive (STI) and long term incentive (LTI)) where:

(i) the majority of Executive remuneration is "at risk"; and

(ii) the level of FAR for Executives is benchmarked against that paid for similar positions at the median of comparator groups of ASX companies:

**Comparator groups**

- S&P ASX listed companies with market capitalisation between 50% and 200% of IPL market capitalisation.
- S&P ASX 100 listed companies.
- A select group of 21 S&P ASX listed companies from the Industrials, Materials and Energy Sectors, consisting of: Adelaide Brighton, AGL Energy, ALS, Ampol Australia, Atlas Arteria, Aurizon, BlueScope Steel, Boral, Brickworks, CIMIC Group, Cleanaway, CSR, Downer EDI, Fletcher Building, Orica, Origin Energy, Orora, Qube, Reliance Worldwide, Seven Group and Sims.

For roles located outside Australia, market-specific data is used as an additional reference point for benchmarking purposes.

A summary of the Company's approach to Executive remuneration for the 2021 financial year, including performance conditions and their link to the overall remuneration strategy is set out below:

| | Performance Conditions | Remuneration Strategy/Performance Link |
|---|---|---|
| **Fixed Annual Remuneration**<br>Salary and other benefits (including statutory superannuation).<br>*Refer section 3.2 for more details* | **Considerations**<br>» Scope of individual's role<br>» Individual's level of knowledge, skills and expertise<br>» Company and individual performance<br>» Market benchmarking | Set to attract, retain and motivate the right talent to deliver on IPL's strategy and contribute to the Company's financial and operational performance.<br>For the Company's Executives, the aim is to set fixed remuneration at market relevant levels and link any future increases to individual performance and effectiveness whilst continuing to have regard to market relevance. |
| **Short Term Incentive**<br>Annual incentive opportunity delivered 50/50 in cash/restricted shares for the MD&CEO (if Minimum Shareholding Requirement (MSR) has yet to be achieved) or 100% in cash if MSR has been achieved. For all other Executives opportunity delivered 75/25 in cash/restricted shares (if MSR has yet to be achieved) or 100% in cash if MSR has been achieved.<br>*Refer section 3.3 for more details* | **Zero Harm 'gate'**<br>The award payable for the Zero Harm performance condition may be forfeited in the event of a fatality or major incident having regard to its circumstances. | To align with the Company's commitment to "Zero Harm for Everyone, Everywhere". |
| | **Safety measures** (generally 10% of STI award)<br>» Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures. | In assessing the safety balanced scorecard, the Board may, in its discretion, have regard to the results achieved against the measures comprising the scorecard without applying a specific weighting to any particular measure. |
| | **Net Profit After Tax (NPAT) 'gate'**<br>Requires achievement of a designated Group NPAT as determined by the Board<br>» A minimum NPAT performance level must be achieved for the gate to open. If the NPAT performance level gate is not achieved, all non-safety components of the STI will be capped at target. | To ensure awarded STI aligns not only with underlying performance, but also with the overall profitability of the business. Commodity price impacts could result in poor profitability which would be inconsistent with stretch bonus payouts. |
| | **Financial measures**<br>(generally a maximum of 70% of STI award, incorporating metrics relevant to an Executive's area of influence)<br>» Group NPAT<br>» Group Adjusted NPAT<br>» Business Unit Adjusted EBIT (Earnings Before Interest and Tax)<br>» Manufacturing Reliability | To ensure robust alignment of performance in a particular Business Unit with reward for the Executive managing that business unit.<br><br>Performance conditions are designed to support the financial direction of the Company (the achievement of which is intended to translate through to shareholder return) and are clearly defined and measurable. |
| | **Strategic objectives**<br>(generally, a maximum of 20% of STI award) aligned to personal strategic objectives. Examples include:<br>» Greenhouse gas reduction targets<br>» Cost reduction initiatives<br>» Cash conversion requirements<br>» Product innovation | Key strategic and growth objectives targeted at delivering ongoing benefit to the Company. |
| **Long Term Incentive**<br>Three-year incentive opportunity delivered through performance rights.<br>*Refer section 3.4 and 3.5 for more details* | **Performance conditions**<br>Distinct categories of performance that are weighted to align with the Group's focus over the three-year period that each tranche of the plan spans.<br>» Relative total shareholder return (TSR)<br>» Long Term Value Metrics (formerly Strategic initiatives)<br>» Return on invested capital (ROIC) | Performance conditions designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. The mix of performance conditions is designed to ensure the share price growth is supported by the Company's absolute ROIC performance as well as long term value metrics, and not market factors alone. |

**Minimum Shareholding**

Executive KMP are required to attain and maintain a Minimum Shareholding Requirement to better align Executive and Shareholder interests. It requires the MD&CEO to defer 50% of any STI awarded until holding the equivalent of 100% of Fixed Annual Remuneration (FAR) in IPL shares. This must be achieved within 5-years, or direct purchases of shares would be required. Other Executive KMP must defer 25% of any STI awarded until holding the equivalent of 50% of FAR in IPL shares.

**Total Remuneration**

The combination of these elements is designed to attract, retain and motivate appropriately qualified and experienced individuals, encourage a strong focus on performance, support the delivery of outstanding returns to shareholders and align Executive and stakeholder interests through share ownership.

### 2.2 Executive remuneration strategy

IPL's purpose is to unlock the potential in the Earth to help people grow. IPL embraces a set of Strategic Value Drivers that underpin the Company's business and form the platform for the Company's future earnings growth and shareholder returns. The company's commitment to addressing climate change challenges and looking for opportunities in the decarbonization of the world's energy systems is at the heart of the business strategy and integrated across all the Strategic Value Drivers:

**Zero Harm** – Broadening and setting year-on-year improvement objectives across key metrics including environmental care and process safety.

**Talented and Engaged People** – One IPL collaborative culture with engaged, diverse and inclusive teams focused on customers and value creation.

**Customer Focus** – Partnering with our customers to create added value and practical solutions for today and the future.

**Manufacturing Excellence** – Driving consistently high performance across all of our assets and investigating ways to address our greenhouse gas emissions.

**Leading Technology Solutions** – Innovation on the ground with practical innovations that our customers can use today to improve their operations and environmental outcomes.

**Profitable Growth** – Focus on opportunities that are distinctive to our differentiated technology, core markets, core capabilities and market segments.

Under the Strategic Value Driver of 'Talented and Engaged People', IPL recognises that to generate competitive returns for its shareholders, it requires talented people who are capable, committed and motivated. IPL's remuneration strategy is designed to support the objectives of the business and to enable the Company to attract, retain and reward Executives of the requisite skill and calibre.

The key principles of the Company's remuneration strategy are to:

» reward strategic outcomes at both the Group and business unit level that create top quartile long term shareholder value;
» require integrity and encourage disciplined risk management in business practice;
» drive strong alignment with shareholder interests through delivering part of the reward in the form of equity;
» structure the majority of executive remuneration to be "at risk" and linked to demanding financial and non-financial performance objectives;
» attract and retain the best available talent;
» reward Executives for high performance within their role and responsibilities, and ensure rewards are competitive within the industry and market for their role in respect of pay level and structure; and
» ensure the remuneration framework is simple, transparent and easily implemented.

### 2.3 Executive remuneration governance

The remuneration of the Executives is set by the Board, having regard to recommendations from the Remuneration Committee.

Where appropriate, the Remuneration Committee of the Board engages external advisors to provide input into the process of reviewing Executive and Non-executive Director remuneration. For the 2021 financial year, the Remuneration Committee received market and benchmarking data from various sources, but this information did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001 (Cth).

Further information in relation to the Board and the Remuneration Committee can be found in IPL's Corporate Governance Statement available on IPL's website.

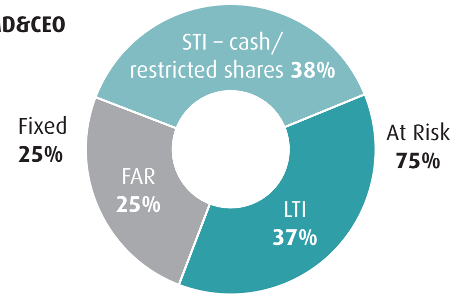
## 3. 2021 Executive Remuneration Framework

### 3.1 Overview

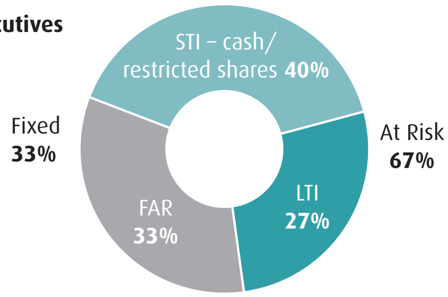
The charts below set out the theoretical breakdown of the Executives' total remuneration package for the 2021 financial year. The FAR component is inclusive of cash and superannuation only, whilst "at risk" compensation is based on maximum entitlement that could potentially be awarded under the STI and LTI plans.

The restricted shares component of the STI (50% for the MD&CEO, 25% for other Executive KMP) must be deferred until an Executive's Minimum Shareholding Requirement is attained.

**MD&CEO**




**Other Executives**



## 3.2 Fixed annual remuneration

Executives receive their fixed remuneration in a variety of forms, including cash, superannuation, and any applicable fringe benefits. The Executives' FAR is set by reference to appropriate benchmark information for each Executive's role, level of knowledge, skill, responsibilities and experience. The level of remuneration is reviewed annually in alignment with the financial year and with reference to, among other things, Company and individual performance and market data provided by an appropriately qualified and independent external data specialist.

## 3.3 Short-term incentive

The STI is an annual "at risk" incentive which is dependent on the achievement of particular performance measures. The following table summarises the STI plan that applied in the 2021 financial year (2021 STI):

| | |
|---|---|
| **What was the performance period?** | The performance period for the 2021 STI was the financial year from 1 October 2020 to 30 September 2021. |
| **Who was eligible for the STI?** | The MD&CEO and all other Executives participated in the 2021 STI. |
| **What was the target and maximum STI opportunity?** | Target STI opportunity was 100% of FAR for the MD&CEO, and 60% of FAR for all other Executives. Maximum STI opportunity (for stretch outcomes) was 150% of FAR for the MD&CEO, and 120% of FAR for all other Executives. |
| **What were the Performance Conditions and Measures?** | Performance conditions under the STI are determined by the Board for each financial year. The performance conditions for the 2021 STI are set out below: |

| Performance Conditions | Measures to assess satisfaction of Performance Conditions | Rationale for the Performance Conditions |
|---|---|---|
| **Group Financial Performance** | Group NPAT (Net Profit After Tax).<br>Group Adjusted NPAT (1) | To align with the Company's strategic intent of achieving top quartile performance as measured against S&P/ASX listed 100 companies. |
| **Business Unit Financial Performance** | Business Unit Adjusted EBIT (Earnings Before Interest and Tax) (1)<br>Manufacturing reliability. | To ensure robust alignment of performance in a particular business unit with reward for the Executive managing that business unit. |
| **Zero Harm** | Safety performance balanced scorecard across the dimensions of behavioural and process safety management comprising input and output measures. (2) | To align with the Company's commitment to "Zero Harm for Everyone, Everywhere". In 2017, the Company adopted its second five-year Global HSE Strategy to continue to drive improvement in the Group's health, safety and environmental performance. |
| **Strategic Outcomes** | Measures based on performance criteria for the execution and implementation of strategic objectives and business priorities. These include measures related to greenhouse gas reduction targets, cost reduction initiatives, cash conversion requirements and product innovation. | Tailored to individual Executive's role, to drive performance and behaviours consistent with achieving critical aspects of the Group's strategy. |

(1) Adjusted means that results have been normalised to remove the impact of foreign exchange and commodity price movements.

(2) In assessing the safety balanced scorecard, the Board may, in its discretion, have regard to the results achieved against the measures comprising the scorecard without applying a specific weighting to any particular measure. The balanced scorecard category measures include: Personal Safety, Process Safety; Environmental; Significant Event Management and the Zero Harm Plan.

Where any Individually Material Item (IMI) is separately recognised in the financial report, the Board will have discretion to include or exclude the IMI for the purpose of determining any STI award, taking into account the nature of the IMI and having regard to whether, in the circumstances, it would be appropriate for the IMI to be attributable to Management.

Determination of the extent to which each of the above measures was satisfied was based on a review by the Board of the audited financial report and performance of the Group for the financial year, following the annual performance review process for the Executives.

| | |
|---|---|
| **Are there minimum performance levels which must be achieved before awards can be made under the STI?** | For the 2021 financial year, to ensure STI awards are aligned with business performance outcomes, the Board determined that an "STI Financial Gate" would operate. The STI Financial Gate reflects a requirement to exceed a designated level of the Group's NPAT performance, or all non-safety components of the STI will be capped at a maximum of target payment.<br>The STI Financial Gate does not apply to any awards payable in relation to the Zero Harm performance condition, reflecting the primacy of safety.<br>In relation to the Zero Harm performance condition, the Board retains a discretion to forfeit all or part of the award payable for this performance condition in the event of a fatality or major incident having regard to the circumstances of the incident. |

**What were the weightings for the STI performance measures?**

The weighting of Executives' STI performance measures (as a percentage of 100%) for 2021 were:

**Table 2**

| | Financial | | | Non-financial/ Business/Strategic | |
|---|---|---|---|---|---|
| | **Group NPAT** | **Group Adjusted NPAT** | **Business Unit Adjusted EBIT** | **Safety** | **Strategic Outcomes** |
| **Executives – Current** | | | | | |
| **J Johns*** Managing Director & CEO | 40% | 30% | | 10% | 20% |
| **N Stratford*** Chief Financial Officer | 40% | 30% | | 10% | 20% |
| **G Hayne**** President, Dyno Nobel Asia Pacific | 40% | | 30% | 10% | 20% |
| **B Lusk**** President, Dyno Nobel Americas | 40% | | 30% | 10% | 20% |
| **S Titze**** President, Incitec Pivot Fertilisers | 40% | | 30% | 10% | 20% |
| **Executives – Former** | | | | | |
| **T Wall**** (1)(2) President, Global Manufacturing | 40% | | 30% | 10% | 20% |

*Group role **Business Unit role

(1) Mr Wall's business unit measures were based on manufacturing reliability and turnaround execution.

(2) Mr Wall ceased as a KMP on 16 July 2021. The duties for this role were reassigned geographically to the President - Dyno Nobel Americas, and the President - Dyno Nobel Asia Pacific for the remainder of the financial year.

**Is there an STI deferral component?**

A mandatory 25% STI deferral (50% for the MD&CEO) continues until an Executive's Minimum Shareholding Requirement (MSR) is achieved. The MSR is 50% of FAR for Executives (100% for the MD&CEO).

**How is the STI delivered?**

The STI is delivered partly in cash and partly in the form of restricted shares. The split between cash and restricted shares is determined based on each participant's shareholding under the MSR.

**Was there a mechanism for clawback?**

The 2021 STI included a clawback provision, which requires the repayment of all or part of any STI awarded within three years after a payment is made, in the event of a material misstatement or omissions in IPL's financial statements which results in a restatement of the audited financial report, on where a participant has materially breached their obligations to the Company.

## 3.4 Long-term incentive

The LTI is the long term incentive component of remuneration for Executives. The LTI is provided in the form of performance rights.

**What LTI plans were applicable for the 2021 financial year?**

The LTI Plans applicable during the 2021 financial year were the:

- Long Term Incentive Performance Rights Plan for 2018/21 (**LTI 2018/21**);
- Long Term Incentive Performance Rights Plan for 2019/22 (**LTI 2019/22**); and
- Long Term Incentive Performance Rights Plan for 2020/23 (**LTI 2020/23**) (together, the **LTI Plans**).

Under the LTI Plans, participants are entitled to acquire ordinary shares in the Company, on a one right to one share basis, for no consideration at a later date. The performance rights are issued by Incitec Pivot Limited and the entitlement of the participants to acquire ordinary shares is subject to the satisfaction of certain conditions. As no shares are provided to participants until vesting, performance rights have no dividend entitlement. Performance rights expire on vesting or lapsing of the rights.

**What is the purpose of the LTIs?**

The LTI is designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value. As rights under the LTI Plans result in share ownership on the achievement of demanding targets, the LTI ties remuneration to Company performance, as experienced by shareholders. The arrangements also support the Company's strategy for retention and motivation of the Executives.

**What is the process for determining eligibility?**

The decision to grant performance rights under the LTI Plans and to whom they will be granted is made annually by the Board, noting that the grant of performance rights to the MD&CEO is subject to shareholder approval. Grants of performance rights to participants are based on a percentage of the relevant Executive's FAR.

**What is the maximum LTI opportunity under the LTI Plans?**

The maximum LTI opportunities under each LTI Plan are:

- for the MD&CEO, 150% of FAR; and
- for all other Executives, 80% of FAR.

**How was the number of performance rights calculated under the LTI Plans?**

For the LTI 2018/21 the number of performance rights issued to a participant was based on the market value of the Company's volume weighted average share price over the 20 business days up to but not including the first day of the relevant performance period. For LTI 2019/22 and LTI 2020/23, the number of performance rights issued to a participant was based on the market value of the Company's shares over the 5 business days immediately after the release of the Company's full year results in the first year of the performance period, being 12 November 2019 and 10 November 2020 respectively. Each issuance was determined by dividing the dollar value of the relevant participant's LTI opportunity by these outcomes.

**What are the performance conditions, performance periods and status of current LTI Plans?**

| LTI Plan | Performance Conditions | Weighting of Performance Condition | Performance Period | Status |
|---|---|---|---|---|
| **LTI 2018/21** | » TSR Condition<br>» Long Term Value Metrics Condition (formerly Strategic Initiatives)<br>» ROE Growth Condition | 40%<br>30%<br>30% | 1 October 2018 to 30 September 2021 | Testing to occur after completion of performance period. |
| **LTI 2019/22** | » TSR Condition<br>» Long Term Value Metrics Condition<br>» Absolute ROIC Condition | 40%<br>30%<br>30% | November 2019 to November 2022 (TSR condition only)<br>1 October 2019 to 30 September 2022 (other conditions) | Testing to occur after completion of performance period. |
| **LTI 2020/23** | » TSR Condition<br>» Long Term Value Metrics Condition<br>» Absolute ROIC Condition | 40%<br>20%<br>40% | November 2020 to November 2023 (TSR condition only)<br>1 October 2020 to 30 September 2023 (other conditions) | Testing to occur after completion of performance period. |

The performance conditions are determined by the Board annually. Refer to section 3.5 for a discussion of the performance conditions.

| | |
|---|---|
| **When are the performance conditions measured?** | After the expiry of the relevant performance period, the Board determines whether the performance conditions of the relevant LTI Plans are satisfied. The performance conditions are tested once, at the end of the relevant performance period. If the performance conditions are satisfied and the rights vest, the participant is entitled to receive ordinary shares in the Company. The participant does not pay for those shares.<br>To the extent the performance conditions are not satisfied during the performance period, the performance rights will lapse. |
| **What happens if a participant leaves the Company?** | Generally, the performance rights granted under the LTI Plans will lapse on a cessation of employment except where the participant has died, becomes totally and permanently disabled, is retrenched, retires or is terminated without cause. In those circumstances (subject to Board discretion), the number of performance rights retained by the participant will be reduced pro rata to reflect the proportion of days worked during the relevant performance period and will be tested in the ordinary course. |
| **In what other circumstances may the performance rights vest (which may be before or after the expiry of the performance period) under the LTI Plans?** | The Board may provide a notice to the participants specifying that the performance rights will vest at a time stipulated in the notice on the occurrence of one of the following events in relation to the Company:<br>» a takeover bid;<br>» a change of control;<br>» the Court ordering a meeting be held in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies; or<br>» a voluntary or compulsory winding-up. |
| **Is there a mechanism for clawback?** | The LTI Plan includes a clawback provision, which requires the repayment of vested awards where payment has exceeded the restated position. This includes overpayments resulting from a material misstatement or omissions in IPL's financial statements on where a participant has materially breached their obligations to the Company. |

## 3.5 LTI performance conditions

For the LTI 2018/21, the performance conditions are measured by reference to the TSR Condition, a Long Term Value Metrics (formerly Strategic Initiatives) Condition and growth in Return on Equity (ROE Growth Condition). For the LTI 2019/22 and LTI 2020/23, the ROE Growth Condition has been replaced by a Return on Invested Capital (Absolute ROIC Condition). Details of the performance conditions for each of the LTI 2018/21, LTI 2019/22 and LTI 2020/23 are set out below.

**TSR Condition**

The TSR Condition (applicable to each of LTI 2018/21, LTI 2019/22 and LTI 2020/23) requires growth in the Company's TSR to be at or above the median of the companies in the comparator group, being the S&P/ASX 100. This condition provides shareholder alignment as it takes into account the Company's share price movement as well as dividends paid, relative to other organisations comparable to the Company.

The S&P/ASX 100 has been chosen as the comparator group because, having regard to the business segments in which the Company operates and, specifically, the absence of a sufficient number of direct comparator companies, the Board considers the S&P/ASX 100 to represent the most appropriate, and objective, comparator group. It also represents the group of companies against which the Company competes for shareholder capital. The Board has the discretion to vary the comparator group at any time, including to remove companies from, or include companies in, the comparator group.

The table below sets out the TSR Condition, and the percentage of the performance rights that will vest based on satisfaction of this condition.

| Relative TSR ranking of IPL | % of performance rights subject to the TSR Condition that will vest |
|---|---|
| Less than 50th percentile | Nil |
| At or greater than 50th percentile but less than 75th percentile | Pro rata from 50% on a straight-line basis |
| At 75th percentile or greater | 100% |

**Long Term Value Metrics (formerly Strategic Initiatives) Condition**

The Long Term Value Metrics Condition relates to the delivery of significant aspects of the Board approved strategy. For the LTI 2018/21, LTI 2019/22 and LTI 2020/23, the Long Term Value Metrics Condition comprises components aligned with the Company's strategic drivers: Manufacturing Excellence, Profitable Growth and Customer, Practical Technology & Innovation. Each of these strategic drivers has a direct impact on financial outcomes.

The table below summarises the Long Term Value Metrics components for the LTI 2018/21, the LTI 2019/22 and the LTI 2020/23:

| Long Term Value Metrics Condition | Rationale | Scorecard | |
|---|---|---|---|
| | | **Measurement criteria** | **Performance goals** |
| **Manufacturing Excellence** (1) | Manufacturing Excellence is an improvement system, through which the Company seeks to enhance productivity on a sustainable basis. The LTI performance goals in relation to Manufacturing Excellence target delivering sustainable year on year improvements in reliability and efficiency. | Performance in relation to this component comprise performance goals related to:<br>» Manufacturing volume<br>» Manufacturing unit cost improvement | **Manufacturing volume:**<br>For LTI 2018/21, LTI 2019/22 and LTI 2020/23 – Achievement of target volumes of particular products at specified manufacturing plants.<br>**Manufacturing unit cost:**<br>For LTI 2019/22 – Improvement in the unit cost of Initiating Systems. |
| **Profitable Growth** (1) | Profitable Growth focuses on opportunities that include capitalising on our core capabilities. LTI performance goals in relation to this item focus on incentivising the delivery of sustainable productivity improvements. | Performance in relation to this component comprise performance goals related to:<br>» Cumulative productivity benefits | **Cumulative productivity benefits:**<br>For LTI 2018/21 – Delivery of cumulative savings over the performance period against targets approved by the Board. |
| **Customer, Practical Technology & Innovation** (1) | IPL's growth strategy includes providing value added differentiated products & services, and innovations to meet the challenges of customers, to assure sustainable earnings and maximise shareholder return. | Performance in relation to this component is assessed against a Scorecard comprising performance goals related to:<br>» Revenues from technologies<br>» Margin from technologies<br>» Net Promoter Score<br>» Key customer retention | **Revenues from technologies:**<br>For LTI 2018/21 and LTI 2019/22 – Annual growth in technology sales from 2018 and 2019 baselines.<br>**Margin from technologies:**<br>For LTI 2020/23 – Measured on an underlying explosives operating margin basis from 2020 baseline.<br>**Net Promoter Score (NPS):**<br>For LTI 2018/21 and LTI 2019/22 – Improvement in NPS over 2020 baseline.<br>**Key customer retention:**<br>For LTI 2018/21, LTI 2019/22 and LTI 2020/23 – Quantitative targets against 2018, 2019 and 2020 baselines assessed by the Board. |

(1) The Long Term Value Metrics Condition applies to 30% of the performance rights in the grants for LTI 2018/21 and LTI 2019/22, and 20% in the grant for LTI 2020/23.

Details of the scorecards and specific performance goals for each component of the Long Term Value Metrics Condition were notified to Executives on commencement of each applicable LTI plan. These performance goals involve commercial-in-confidence quantitative targets and, as such, detailed performance goals are not disclosed, but performance against the goals is disclosed at the end of the performance period. For the LTI 2018/21, these details are set out in section 4.4. For the LTI 2019/22 and LTI 2020/23, the relevant details will be set out in the 2022 Remuneration Report and the 2023 Remuneration Report respectively.

The Board will determine the outcome for the relevant component of the Long Term Value Metrics Condition under each LTI plan having regard to the results achieved against the performance goals across the entirety of the Scorecard for that component. If the Board determines that all of the performance goals in respect of a component of the Long Term Value Metrics Condition have been achieved, all of the performance rights subject to that component will vest.

If not all performance goals in respect of a component of the Long Term Value Metrics Condition are met over the performance period, the extent to which that component of the Long Term Value Metrics Condition has been satisfied (if at all) will be determined by the Board. In doing so, the Board will have regard to the results achieved against the performance goals across all of the components of the relevant Scorecard, without applying a specific weighting to any particular performance goal.

**ROE Growth Condition**

The ROE Growth Condition was introduced in 2016 and applies to the LTI 2018/21. The ROE Growth Condition measures the compound annual growth in ROE over the performance period. ROE was considered an appropriate measure at that time, as it was a widely recognised and reported metric and reflected the levers required to create shareholder value. It does not however, focus on the efficient deployment of capital to the extent that the Board requires currently, so was replaced by a ROIC condition for LTI 2019/22 and LTI 2020/23 (see below).

The table below sets out the ROE Growth Condition, and the percentage of performance rights that will vest based on satisfaction of this condition:

| ROE Compound Annual Growth Rate | % of performance rights subject to the ROE Growth Condition that will vest |
|---|---|
| Less than 7% | Nil |
| At or above 7% but less than 11% | Pro rata from 50% on a straight-line basis |
| 11% or greater | 100% |

**Absolute ROIC Condition**

The Absolute ROIC Condition was introduced for the LTI 2019/22, to replace the ROE Growth Condition. ROIC has been selected as it is a key determinant of efficient use of the capital entrusted to management by shareholders. It also reflects factors that improve shareholder value, including operational efficiency, capital efficiency, asset utilisation and profitability.

The table below sets out the Absolute ROIC Condition for the LTI 2020/23, and the percentage of performance rights that will vest based on satisfaction of this condition:

| Absolute ROIC Targets | % of performance rights subject to the Absolute ROIC Condition that will vest |
|---|---|
| Less than 6.0% | Nil |
| At or above 6.0% but less than 6.4% | Pro rata from 50% on a straight-line basis |
| 6.4% or greater | 100% |

## 3.6 Executive service agreement terms

Remuneration and other terms of employment for the Executives are formalised in service agreements. Most Executives are engaged on similar contractual terms, with minor variations to reflect differing circumstances. Each agreement is unlimited in term; however, each agreement provides that the Company may terminate an Executive's employment immediately for cause without any separation payment, save for accrued amounts such as leave, or otherwise without cause, with or without notice, in which case the Company must pay a separation payment plus accrued amounts such as leave.

The notice period to be provided by the Executives is set out in the table below:

| Current Executives | Notice period to be provided by the Executive |
|---|---|
| J Johns | 52 weeks |
| N Stratford | 26 weeks |
| G Hayne | 26 weeks |
| B Lusk | 26 weeks |
| S Titze | 26 weeks |
| **Former Executives** | **Notice period provided by the Executive** |
| T Wall (1) | 26 weeks |

(1) Mr Wall ceased as a KMP on 16 July 2021.

The separation payment included in each Executive's contract is capped at an amount equivalent to a specified number of weeks of FAR for the Executive. Ms Johns' separation payment is equal to 52 weeks of FAR as at the date of termination (subject to the provisions relating to termination benefits in Part 2D.2 of the Corporations Act 2001). All other Executives' contracts provide for a separation payment of 26 weeks of FAR, save for Mr Stratford's and Mr Hayne's contracts which provided for a separation payment equal to 52 weeks of FAR (subject to the terminations provisions in the Corporations Act).

# 4. Remuneration Outcomes in 2021 Financial Year & link to 2021 Financial Year Performance

## 4.1 Analysis of relationship between the Company's performance, shareholder wealth and remuneration

In considering the Company's performance, the benefit to shareholders and appropriate remuneration for the Executives, the Board, through its Remuneration Committee, has regard to financial and non-financial indices, including the indices shown in the below table in respect of the current financial year and the preceding four financial years.

**Table 3 – Indices relevant to the Board's assessment of the Company's performance and the benefit to shareholders.**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| NPAT before IMIs and excluding non-controlling interests ($m) | 318.7 | 347.4 | 152.4 | 188.2 | 358.6 |
| EPS before IMIs (cents) | 18.9 | 20.9 | 9.5 | 10.9 | 18.5 |
| Dividends per share (DPS) paid in the financial year (cents) | 9.1 | 9.4 | 7.5 | 3.4 | 1.0 |
| DPS declared in respect of the financial year (cents) | 9.4 | 10.7 | 4.7 | – | 9.3 |
| Share price ($) (Financial Year End) (1) | 3.60 | 3.98 | 3.39 | 2.03 | 2.94 |
| TSR (%) at Financial Year End | 28 | 11 | (15) | (40) | 45 |
| TSR (%) over 3 years (2) | 36 | 14 | 30 | (37) | (25) |
| On-market share buyback ($m) | – | (210.3) | (89.7) | – | – |
| Equity Raising (net of cost) ($m) | – | – | – | 645.5 | – |

(1) Share Price as at the end of the 2016 financial year was $2.82.

(2) TSR is calculated in accordance with the rules of the LTI 2014/17, LTI 2015/18, LTI 2016/19, LTI 2017/20 and LTI 2018/21 as applicable over the three-year performance period, having regard to the volume weighted average price of the shares over the 20 business days up to but not including the first and last day of the performance period.

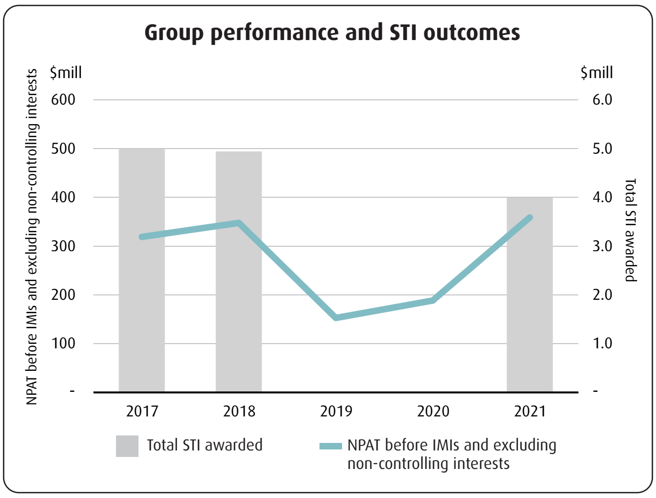
**Relationship between the Company's performance and STI outcomes for Executive KMP**

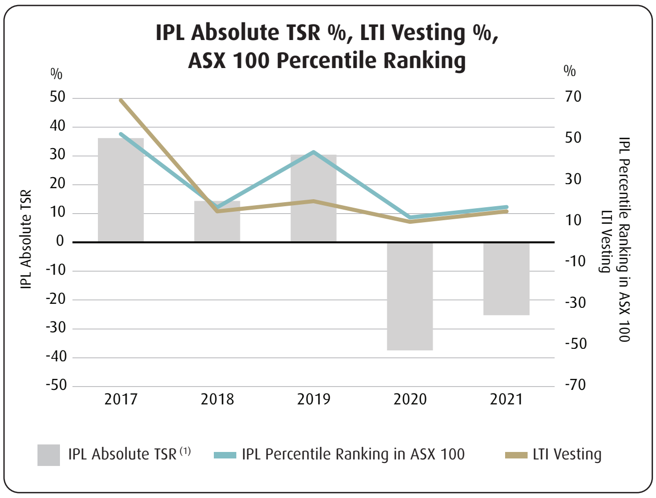
The below graph shows the relationship between the Company's performance and STI awards for Executive KMP in respect of the year. For the 2021 financial year, Group NPAT (before IMIs and excluding non-controlling interest) increased by 90.5% to $358.6m. The financial gate for the STI opened as outlined in section 4.3 of this report, resulting in Executives earning on average, 58.9% of Maximum 2021 STI awards.

**Relationship between the Company's performance and Executive KMP LTI outcomes**

The below graph shows the relationship between IPL's Absolute TSR, its percentile ranking relative to its S&P/ASX 100 peer group over the three years that each tranche operated, and the overall LTI vesting percentage that occurred for each tranche. The LTI 2017/20 that vested in the 2021 financial year delivered 0% of the 50% TSR opportunity and 10% of total opportunity available for that tranche.

Note: The absolute TSR for IPL and for the ASX 100 has been calculated using the methodology noted in footnote (2) Table 3.




(1) IPL Absolute TSR is based on 3-year outcomes

## 4.2 2021 Fixed annual remuneration outcomes

There were no adjustments made to Executive KMP Fixed Annual Remuneration (FAR) levels for the 2021 period.

## 4.3 2021 STI outcomes

The following table outlines detailed STI outcomes for the MD&CEO.

| Measure | Weighting (at Target) | Weighted Outcome | Threshold | Target | Stretch | Commentary |
|---|---|---|---|---|---|---|
| **Health, Safety & Environment** | | | | | | |
| Balanced Scorecard | 10% | 100% |  | | | Personal Safety (TRIFR) and Process Safety (CCPS Tier 1 & Tier 2) results were below expectations this year. This was offset somewhat with very positive outcomes across both Environmental Incidents and Significant Event Management. The overall outcome was assessed as being on-target for FY21. |
| **Headline Financial** | | | | | | |
| Group Headline NPAT | 40% | 150% |  | | | Headline NPAT (excluding individually material items) delivered a result well above the stretch target. This result was assisted strongly by favourable commodity price movements that helped to deliver 100% of maximum opportunity for this metric. |
| **Adjusted Financial** | | | | | | |
| Group Adjusted NPAT | 30% | 0% |  | | | The Adjusted NPAT outcome fell short of the budgeted threshold for this metric. The major contributor to this result was the below budget result delivered by the Waggaman ammonia plant in Louisiana. The final result was 0% of the maximum opportunity available for this metric. |
| **Individual Objectives** | | | | | | |
| Balanced Scorecard | 20% | 40% |  | | | This year's objectives covered five key categories: 1) Greenhouse Gas Emissions Reductions; 2) Explosives Growth Agenda; 3) Gas Strategy; 4) Manufacturing Excellence Implementation; and 5) Technology Strategy. Performance against the balanced scorecard was assessed as delivering 8% of the maximum opportunity available for this metric. |
| **Overall STI Outcome** | | 52% | % of Maximum Opportunity Awarded | | | |

Stretch   Between Target & Stretch   Target   Between Threshold & Target   Threshold   Below Threshold

The Board approved STI outcomes for all Executive KMP on 12 November 2021. The CEO received a target result for Health, Safety & Environment, a stretch result for Group Headline NPAT and no reward for Group Adjusted NPAT. Notwithstanding a strong performance against her personal strategic objectives, the Board exercised its discretion and moderated this component to reflect challenges during the year including the manufacturing performance at Waggaman.

Other Executive KMP also received a stretch result for their 40% Group Headline NPAT component. All except the President – Dyno Nobel Asia Pacific also received no reward for their Adjusted NPAT/EBIT component. The President – Dyno Nobel Asia Pacific received between threshold and target for his Adjusted EBIT component. The main negative factor on Group Adjusted NPAT was the sub optimal manufacturing performance of Waggaman during the financial year. Health, Safety & Environment outcomes were above target for the President – Dyno Nobel Asia Pacific, and between threshold and target for the President – Dyno Nobel Americas, and President – Global Manufacturing & HSE, and Individual Strategic Objectives delivered a range of outcomes that are reflected in the differentiated results in table 4.

### Table 4 – Short term incentives awarded for the year ended 30 September 2021

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2021 as remuneration to each Executive are set out below:

| | Short term incentive for the year ended 30 September 2021 | | | | |
|---|---|---|---|---|---|
| | Cash STI $000 | Minimum share holding allocation (A) $000 | Included in remuneration $000 | % earned of maximum opportunity | % forfeited of maximum opportunity |
| **Executives – Current** | | | | | |
| **J Johns** | 1,279 | – | 1,279 | 52 | 48 |
| **N Stratford** | 648 | – | 648 | 60 | 40 |
| **G Hayne** | 400 | 134 | 534 | 66 | 34 |
| **B Lusk** (1) | 432 | 144 | 576 | 63 | 37 |
| **S Titze** | 351 | 117 | 468 | 60 | 40 |
| **Executives – Former** | | | | | |
| **T Wall** (2) | 469 | – | 469 | 53 | 47 |
| | **Deferred Short term incentive for the year ended 30 September 2021** | | | | |
| **Executives – Current** | | | | | |
| **J Johns** (3) | – | – | 23 | 100 | – |

(A) Under the terms of the 2021 STI, to the extent that Executives have not achieved their Minimum Shareholding Requirement the following applies: 50% of the MD&CEO's award is delivered in cash and the remainder is delivered in restricted shares. For all other Executives, 75% of their award is delivered in cash and the remainder is delivered in restricted shares. Cash is generally paid and shares generally allocated around December.

(1) Dr Lusk's STI payment was converted from US$ to A$ at the year-end rate 30 September 2021, being $1.3971.

(2) Mr Wall ceased as a KMP on 16 July 2021. The duties for this role were reassigned geographically to the President – Dyno Nobel Americas, and the President – Dyno Nobel Asia Pacific for the remainder of the financial year.

(3) Under the terms of the 2018 STI in which Ms Johns participated the total STI award was $2.09m, of this 50% was paid in cash in 2018. The remaining 50% was awarded in the form of performance rights of which 25% vested in fully paid ordinary shares on 30 November 2019 and the remaining 25% of the award vested in fully paid ordinary shares on 30 November 2020. In both cases, vesting was subject to Ms Johns meeting a service condition determined by the Board. The value of the rights was calculated at grant date using the Black Scholes option pricing model as disclosed in the footnotes under Table 7.

## 4.4 LTI 2018/21 outcomes

The performance period for the LTI 2018/21 ended on 30 September 2021. Following testing against the performance conditions, the Board determined that 15% of the performance rights granted under the plan will vest (with the remaining 85% to lapse). Details in relation to each of the performance conditions are set out below.

The number of rights vested and lapsed will be reported in the 2022 Remuneration Report.

### TSR Condition

In relation to the TSR Condition, the Company's relative TSR performance over the period did not achieve median percentile performance of the comparator group of S&P/ASX 100 companies. Accordingly, 0% of the performance rights granted subject to the TSR Condition will vest (out of a maximum of 40% of performance rights granted under the plan).

### Long Term Value Metrics (formerly Strategic Initiatives) Condition

In relation to the Long Term Value Metrics Condition – the Board assessed this component against a balanced scorecard and determined the outcome partially achieved the performance goals across the entirety of the scorecard. The Board has determined that 50% of the performance rights granted subject to this condition will vest (out of a maximum of 30% of performance rights granted under the plan). Commentary on the performance against the scorecard is set out in the following table.

| Long Term Value Metric Condition | Performance Goals | Threshold | Target | Stretch | Commentary |
|---|---|---|---|---|---|
| **Manufacturing Excellence** | Achievement of Manufacturing Production Rates across six major facilities within IPL's US and Australian operations. | | | | Phosphate Hill and Gibson Island achieved target rates of production throughout 2021. Two other sites delivered production rates of between threshold and target, and two sites operated below threshold levels, Waggaman and Cheyenne. |
| **Profitable Growth** | The goal for cumulative productivity benefits was to deliver a minimum aggregate dollar saving over the three-year performance period. | | | | A stretch level of cumulative productivity benefits was delivered across the measurement period. |
| **Customer, Practical Technology & Innovation** | Revenues from Technologies: cumulative growth in total margin from sales of certain technologies. | | | | The stretch target for this metric was cumulative improvement over the 2018 baseline which was achieved. |
| | Net Promoter Score: improvement in NPS over the initial baseline. | | | | The stretch objective for this measure was improvement over the 2018 baseline. Noticeable improvement was delivered which equated to a target level of achievement. |
| | Key Customer Retention: the retention of IPL's top 10 customers by size and/or strategic importance, whilst not sacrificing margin above forward outlook. | | | | Target objective of retention was achieved at a margin level no worse than the expected forecast. |
| | **Vesting for this component (%)** | | **50%** | | **Having regard to the outcomes in relation to the input and output measures, the Board determined that 50% of the performance goals were delivered against the balanced scorecard.** |

Stretch   Between Target & Stretch   Target   Between Threshold & Target   Threshold   Below Threshold

### ROE Growth Condition

In relation to the ROE Growth Condition, the Company's performance over the period did not achieve a 7% Compound Annual Growth Rate. Accordingly, 0% of the performance rights granted subject to the ROE Growth Condition will vest (out of a maximum 30% of performance rights granted under the plan).

## 4.5 Performance related remuneration

**Table 5 – Details of performance rights granted and vested in the year ended 30 September 2021 and the vesting profile of performance rights granted as remuneration.**

**LTI**

Details of performance rights vested and forfeited set out in the table below relate to the performance rights granted under the LTI 2017/20 (performance period: 1 October 2017 to 30 September 2020) which, following testing in November 2020 resulted in the Board determining that 10% vested. In relation to the LTI 2018/21 (performance period: 1 October 2018 to 30 September 2021), following testing in November 2021, the Board determined that 15% of the performance rights will vest. This will be reported in the 2022 Remuneration Report.

**STI**

Details of performance rights in relation to short term incentive plans are set out in the table below.

| Key Management Personnel | Grant date | Granted during 2021 as remuneration [(A)] $000 | Exercised in year $000 | Vested in year % | Forfeited in year % | Financial year in which grant vested or could vest | Maximum value of outstanding rights [(B)] $000 |
|---|---|---|---|---|---|---|---|
| **Executives – Current** | | | | | | | |
| **J Johns** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2017/20 | 30 January 2018 | – | 156 | 10 | 90 | 2020 | – |
| LTI 2018/21 | 5 February 2019 | – | – | – | – | 2021 | 1,605 |
| LTI 2019/22 | 13 January 2020 | – | – | – | – | 2022 | 1,755 |
| LTI 2020/23 | 14 January 2021 | 2,386 | – | – | – | 2023 | 2,386 |
| **Short term incentive rewards** | | | | | | | |
| Performance period: 23 October 2017 to 30 November 2020 | 5 February 2019 | – | 311 | 100 | – | 2021 | – |
| **N Stratford** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2017/20 | 30 January 2018 | – | 41 | 10 | 90 | 2020 | – |
| LTI 2018/21 | 5 February 2019 | – | – | – | – | 2021 | 443 |
| LTI 2019/22 | 13 January 2020 | – | – | – | – | 2022 | 528 |
| LTI 2020/23 | 14 December 2020 | 698 | – | – | – | 2023 | 698 |
| **G Hayne** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2017/20 | 1 March 2018 | – | 27 | 10 | 90 | 2020 | – |
| LTI 2018/21 | 5 February 2019 | – | – | – | – | 2021 | 332 |
| LTI 2019/22 | 13 January 2020 | – | – | – | – | 2022 | 382 |
| LTI 2020/23 | 14 December 2020 | 520 | – | – | – | 2023 | 520 |
| **B Lusk** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2020/23 | 14 December 2020 | 593 | – | – | – | 2023 | 593 |
| **S Titze** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2018/21 | 5 February 2019 | – | – | – | – | 2021 | 314 |
| LTI 2019/22 | 13 January 2020 | – | – | – | – | 2022 | 371 |
| LTI 2020/23 | 14 December 2020 | 504 | – | – | – | 2023 | 504 |
| **Executives – Former** | | | | | | | |
| **T Wall [(1)]** | | | | | | | |
| **Long term incentive rewards** | | | | | | | |
| LTI 2018/21 | 5 February 2019 | – | – | – | – | 2021 | 399 |
| LTI 2019/22 | 13 January 2020 | – | – | – | 32 | 2022 | 289 |
| LTI 2020/23 | 14 December 2020 | 578 | – | – | 65 | 2023 | 201 |
| **Short term incentive rewards** | | | | | | | |
| Performance period: 1 November 2018 to 30 September 2020 | 5 February 2019 | – | 80 | 100 | – | 2020 | – |

(A) The value of rights granted in the year is the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. The value of these rights is included in the footnotes under Table 7. This amount is allocated to the remuneration of each Executive over the vesting period (that is, in the 2021, 2022 and 2023 financial years).

(B) The maximum value of outstanding rights is based on the fair value of the performance rights at the grant date. This may be different to the value of the rights in the event that they vest. The minimum value of rights yet to vest is zero, as the performance criteria may not be met.

(1) Mr Wall ceased as a KMP on 16 July 2021. Mr Wall's balance of rights represents the performance rights pro-rated according to his exit date of 15 October 2021.

### Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including rights) granted to a KMP have been altered or modified by the issuing entity during the reporting period.

### Table 6 – Movements in rights over equity instruments in the Company

The movement during the reporting period in the number of rights over shares in the Company, held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Number of Rights | | | | |
|---|---|---|---|---|---|
| **Key Management Personnel** | **Opening balance** | **Granted as compensation (A)** | **Vested (B)** | **Forfeited (C)** | **Closing balance** |
| **Executives – Current** | | | | | |
| **J Johns** | | | | | |
| Long term incentive rewards | 2,013,675 | 1,164,111 | (67,415) | (606,742) | 2,503,629 |
| Short term incentive rewards | 134,115 | – | (134,115) | – | – |
| **N Stratford (1)** | | | | | |
| Long term incentive rewards | 563,803 | 340,715 | (17,629) | (158,668) | 728,221 |
| **G Hayne** | | | | | |
| Long term incentive rewards | 401,857 | 253,643 | (11,690) | (105,217) | 538,593 |
| **B Lusk** | | | | | |
| Long term incentive rewards | – | 289,187 | – | – | 289,187 |
| **S Titze** | | | | | |
| Long term incentive rewards | 273,375 | 246,072 | – | – | 519,447 |
| **Executives – Former** | | | | | |
| **T Wall (2)** | | | | | |
| Long term incentive rewards | 328,264 | 282,036 | – | (240,135) | 370,165 |
| Short term incentive rewards | 34,651 | – | (34,651) | – | – |

(A) For the 2021 financial year, this represents the rights granted to Executives during the reporting period under the LTI 2020/23. The grant of rights under the LTI 2020/23 to Ms Johns was approved by shareholders at the Company's 2020 Annual General Meeting.

(B) For the 2021 financial year, this represents the number of rights vested during the reporting period under short term incentive rewards and the LTI 2017/20. Each right entitled the participating Executive to acquire a fully paid ordinary share in IPL for zero consideration.

(C) For the 2021 financial year, this represents rights that were forfeited by Executives during the period under the LTI 2017/20. In addition, in the case of Mr Wall who ceased as a KMP on 16 July 2021, this represents a portion of his rights held under the LTI 2019/22 and LTI 2020/23.

(1) Mr Stratford will cease as a KMP during the 2022 financial year. His balance of rights will be forfeited on exiting the Company.

(2) Mr Wall ceased as a KMP on 16 July 2021. His balance of rights represents the performance rights pro-rated according to his exit date of 15 October 2021.

## 4.6 Further details of Executive remuneration

### Table 7 – Executive remuneration

Details of the remuneration for each Executive for the year ended 30 September 2021 in accordance with Accounting Standards are set out below:

| | | Short-term benefits | | | Post employment benefit | Other long term benefits (C) | Termination benefits | Share-based payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Accounting values | | | |
| | | Salary & Fees | Short term incentive & other bonuses (A) | Other short term benefits (B) | Superannuation benefits | | | Current period expense (D) | Prior periods expense write-back (D) | Total share-based payments | Total |
| | Year | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Executive KMP – Current** | | | | | | | | | | | |
| **J Johns** | **2021** | **1,640** | **1,302** | **43** | **–** | **25** | | **1,723** | **(501)** | **1,222** | **4,232** |
| Managing Director & CEO | 2020 | 1,640 | 175 | 11 | – | 17 | – | 1,458 | (538) | 920 | 2,763 |
| **N Stratford** | **2021** | **878** | **648** | **1** | **22** | **16** | | **503** | **(136)** | **367** | **1,932** |
| Chief Financial Officer | 2020 | 890 | – | 312 | 21 | 24 | – | 451 | (141) | 310 | 1,557 |
| **G Hayne** | **2021** | **648** | **534** | **1** | **22** | **13** | | **372** | **(100)** | **272** | **1,490** |
| President, Dyno Nobel Asia Pacific | 2020 | 649 | – | – | 21 | 32 | – | 297 | (93) | 204 | 906 |
| **B Lusk** (1) | **2021** | **741** | **576** | **67** | **–** | **–** | | **198** | **–** | **198** | **1,582** |
| President, Dyno Nobel Americas | 2020 | 192 | – | 226 | – | – | – | – | – | – | 418 |
| **S Titze** | **2021** | **628** | **468** | **–** | **22** | **6** | **–** | **359** | **(75)** | **284** | **1,408** |
| President, Fertilisers | 2020 | 629 | 488 | – | 21 | 5 | – | 228 | – | 228 | 1,371 |
| **Executives – Former** | | | | | | | | | | | |
| **T Wall** (2) | **2021** | **573** | **469** | **1** | **17** | **7** | **183** | **248** | **(96)** | **152** | **1,402** |
| President, Global Manufacturing | 2020 | 724 | 58 | – | 21 | 6 | – | 275 | – | 275 | 1,084 |
| **F Micallef** (3) Chief Financial Officer | 2020 | 686 | – | – | 16 | 16 | 468 | 202 | (301) | (99) | 1,087 |
| **Total Executives** | **2021** | **5,108** | **3,997** | **113** | **83** | **67** | **183** | **3,403** | **(908)** | **2,495** | **12,046** |
| | 2020 | 5,410 | 721 | 549 | 100 | 100 | 468 | 2,911 | (1,073) | 1,838 | 9,186 |

(A) For Ms Johns this includes STI rights granted on 5 February 2019 under the 2018 STI.

| | Fair value per share treated as rights at grant date |
|---|---|
| **J Johns** | |
| Performance period: 23 October 2017 to 30 November 2020 | $3.22 |

(B) Other short term benefits include rent and mortgage interest subsidies, relocation allowances and other allowances, where applicable.

(C) Other long term benefits represent long service leave accrued during the reporting period.

(D) In accordance with accounting standards, remuneration includes the amortisation of the fair value at grant date of performance rights issued under the LTI Plans that are expected to vest, less any write-back on performance rights lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The value disclosed in the above Table 7 represents the portion of fair value allocated to this reporting period and is not indicative of the benefit, if any, that may be received by the Executive should the performance conditions with respect to the relevant long term incentive plan be satisfied.

| | Fair value per share treated as rights at grant date |
|---|---|
| LTI 2017/20 – TSR | $1.98 |
| LTI 2017/20 – Long Term Value Metrics (formerly Strategic Initiatives) | $3.42 |
| LTI 2017/20 – ROE Growth | $3.42 |
| LTI 2018/21 – TSR | $1.82 |
| LTI 2018/21 – Long Term Value Metrics (formerly Strategic Initiatives) | $3.13 |
| LTI 2018/21 – ROE Growth | $3.13 |
| LTI 2019/22 – TSR | $1.58 |
| LTI 2019/22 – Long Term Value Metrics (formerly Strategic Initiatives) | $2.99 |
| LTI 2019/22 – Absolute ROIC | $2.99 |
| LTI 2020/23 – TSR | $1.69 |
| LTI 2020/23 – Long Term Value Metrics | $2.29 |
| LTI 2020/23 – Absolute ROIC | $2.29 |

(1) Dr Lusk became a KMP on 1 July 2020 and the disclosures for the 2020 financial year are from that date and do not represent a full financial year. Fixed remuneration payments were converted from US$ to A$ at the average rate for 1 July 2020 to 30 September 2020, being $1.3982, and 1 October 2020 to 30 September 2021, being $1.3296.

(2) Mr Wall ceased being a KMP on 16 July 2021. Disclosure for the 2021 year is from 1 October 2020 to 16 July 2021. Termination benefits accrued for Mr Wall in the 2021 financial year include a separation payment of $183,314 in accordance with his contract of employment.

(3) Mr Micallef ceased being a KMP on 30 June 2020. Disclosure for the 2020 year is from 1 October 2019 to 30 June 2020. Termination benefits accrued for Mr Micallef in the 2020 financial year included a separation payment of $467,657 in accordance with his contract of employment.

**Table 8 – Actual Pay**

The table below provides a summary of actual remuneration paid to the Executives in the 2021 financial year. The accounting values of the Executives' remuneration reported in accordance with the Accounting Standards may not always reflect what the Executives have actually received, particularly due to the valuation of share based payments. The table below seeks to clarify this by setting out the actual remuneration that the Executives have been paid and rights that vested over the last twelve months.

Executive remuneration details prepared in accordance with statutory requirements and the Accounting Standards are presented in Table 7 of this report.

| | Year | Salary & Fees | Short term incentive & other bonuses (A) | Other short term benefits (B) | Superannuation benefits | Other long term benefits (C) | Termination benefits | Total |
|---|---|---|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Executive KMP – Current** | | | | | | | | |
| **J Johns** | **2021** | **1,640** | **311** | **28** | **–** | **156** | **–** | **2,135** |
| Managing Director & CEO | 2020 | 1,640 | – | 11 | – | – | – | 1,651 |
| **N Stratford (1)** | **2021** | **878** | **–** | **1** | **22** | **41** | **–** | **942** |
| Chief Financial Officer | 2020 | 890 | – | 312 | 21 | – | – | 1,223 |
| **G Hayne** | **2021** | **648** | **–** | **1** | **22** | **27** | **–** | **698** |
| President, Dyno Nobel Asia Pacific | 2020 | 649 | 62 | – | 21 | 121 | – | 853 |
| **B Lusk (2)** | **2021** | **741** | **42** | **67** | **–** | **–** | **–** | **850** |
| President, Dyno Nobel Americas | 2020 | 192 | – | 226 | – | – | – | 418 |
| **S Titze** | **2021** | **628** | **–** | **-** | **22** | **–** | **–** | **650** |
| President, Incitec Pivot Fertilisers | 2020 | 629 | 488 | – | 21 | – | – | 1,138 |
| **Executives – Former** | | | | | | | | |
| **T Wall (3)** | **2021** | **573** | **80** | **1** | **17** | **–** | **–** | **671** |
| President, Global Manufacturing | 2020 | 724 | – | – | 21 | – | – | 745 |
| **F Micallef (4)** | 2020 | 686 | – | – | 16 | – | – | 702 |
| Chief Financial Officer | | | | | | | | |
| **Total Executives** | **2021** | **5,108** | **433** | **98** | **83** | **224** | **–** | **5,946** |
| | 2020 | 5,410 | 550 | 549 | 100 | 121 | – | 6,730 |

(A) For Mr Titze, this represents a special incentive paid during the 2020 financial year. For Mr Hayne, this represents a special discretionary bonus payment made in December 2019. For Dr Lusk, this represents a short-term incentive relating to the 2020 financial year prior to him becoming a KMP. For Ms Johns and Mr Wall, this represents rights that vested under short-term incentive awards in the 2021 financial year.

(B) Other short term benefits include rent and mortgage interest subsidies, relocation allowances and other allowances, where applicable.

(C) Other long term benefits include long service leave paid on cessation of employment and from 2021 financial year, the value of shares that vested under the Group's LTI plans. Long Term Incentives include all plan-related instruments that vested during the year. The theoretical cash price is based on the IPL share price on the day that shares were purchased. For Mr Hayne in prior year, this includes a cash payment relating to long term incentive plan for the periods prior to him becoming a KMP.

(1) Mr Stratford spent the first 9 months of the 2020 performance year as President, Dyno Nobel Americas (a US-based role) prior to being appointed to the CFO role for the final 3 months of the 2020 financial year.

(2) Dr Lusk became a KMP on 1 July 2020 and the disclosures for the 2020 financial year are from that date and do not represent a full financial year.

(3) Mr Wall ceased as a KMP on 16 July 2021 and the disclosures for the 2021 financial year are up until that date and do not represent a full financial year.

(4) Mr Micallef ceased as a KMP on 30 June 2020 and the disclosures for the 2020 financial year are up until that date and do not represent a full financial year.

## 5. Overview of Remuneration Changes for the 2022 Financial Year

Some important changes have been made to the STI and LTI programs for the 2022 financial year. The changes reflect strategic business priorities over the coming years. Emphasis will be on aligning to the new manufacturing regional management model being initiated and increasing focus on ESG, particularly the reduction of greenhouse gas emissions.

Fixed salary increases for some Executive KMP may result from the move to the regional manufacturing model. This would be as recognition of additional complexity that will impact some roles under this new structure.

The STI has an adjusted Manufacturing Reliability metric in response to the 2021 manufacturing results and the change to a regionally led manufacturing model. The MD&CEO as well as the Regional Presidents in North America and Asia Pacific will share responsibility for improving Manufacturing Reliability under this metric.

Targeted climate change objectives, previously incorporated within the Strategic Objectives section of STI scorecards, will now be incorporated under a separate Environmental, Social & Governance (ESG) category that will extend to all Executive KMP. All Executive KMP will have 10% allocated to this new ESG metric. The CEO's scorecard will include reinvigoration of the leadership, objectives and culture for IPL, particularly as COVID restrictions are expected to reduce. The new weightings for each Executive KMP for the 2022 financial year are outlined in the following table:

| | Financial | | | | Non-financial/Business/Strategic | | |
|---|---|---|---|---|---|---|---|
| | **Group NPAT** | **Group Adjusted NPAT** | **Business Unit Adjusted EBIT** | **Manufacturing Reliability** | **Safety** | **ESG** | **Strategic Outcomes** |
| Managing Director & CEO | 30% | 20% | | 15% | 10% | 10% | 15% |
| Chief Financial Officer | 30% | 40% | | | 10% | 10% | 10% |
| President, Dyno Nobel Asia Pacific | 30% | | 30% | 10% | 10% | 10% | 10% |
| President, Dyno Nobel Americas | 30% | | 20% | 20% | 10% | 10% | 10% |
| President, Incitec Pivot Fertilisers | 30% | | 30% | 10% | 10% | 10% | 10% |

With the increasing practical and technological challenges to reduce greenhouse gas emissions both in the short term and longer term, the LTI 2021/24 will also have a new 10% ESG component. This component will target IPL achieving its 2025 and 2030 targets on climate change and focus on investing in new technologies to create other meaningful opportunities for IPL to decrease greenhouse gas emissions in the longer term. Introducing the new 10% ESG component results in a reduction in the ROIC component from 40% to 35% and Long Term Value Metric from 20% to 15%.

The Board will continue to monitor and consider any trends that may become apparent with respect to remuneration (both domestically and internationally) and look to incorporate changes that may contribute to the efficacy of the Company's overall remuneration structure.

## 6. Non-executive Director Remuneration

IPL's policy is to:

» remunerate Non-executive Directors by way of fees and payments which may be in the form of cash and superannuation benefits; and

» set the level of Non-executive Directors' fees and payments to be consistent with the market and to enable the IPL Group to attract and retain directors of an appropriate calibre.

Non-executive Directors are not remunerated by way of options, shares, performance rights, bonuses nor by incentive-based payments.

Non-executive Directors receive a fee for being a director of the Board and Non-executive Directors, other than the Chairman of the Board, receive additional fees for either chairing or being a member of a Board Committee. The level of fees paid to a Non-executive Director is determined by the Board after an annual review and reflects a Non-executive Director's time commitments and responsibilities.

For the 2021 financial year, there were no increases to Non-executive Directors' fees. Fees paid to Non-executive Directors amounted to $1,549,000 which was within the $2,000,000 maximum aggregate fee pool approved by shareholders at the 2008 Annual General Meeting. For the 2022 financial year, the Board has determined that there will be no increase in Non-executive Director fees, which have remained unchanged since 1 October 2014.

The table below sets out the Board and Committee fees as at 30 September 2021:

| | | |
|---|---|---|
| **Board Fees** | Chairperson | $532,500 |
| | Members | $177,500 |
| **Committee Fees** | **Audit and Risk Management Committee** | |
| | Chairperson | $47,200 |
| | Members | $23,600 |
| | **Remuneration Committee** | |
| | Chairperson | $35,400 |
| | Members | $17,700 |
| | **HSEC Committee** | |
| | Chairperson | $35,400 |
| | Members | $17,700 |
| | **Nominations Committee** | |
| | Chairperson | N/A |
| | Members | $ 8,250 |

**Table 9 – Non-executive Directors' remuneration**

Details of the Non-executive Directors' remuneration for the financial year ended 30 September 2021 are set out in the following table:

| | | Board and Committee Fees | Cash allowances and other short term benefits (A) | Post-employment benefits | Other long term benefits | |
|---|---|---|---|---|---|---|
| | | Fees | | Superannuation benefits | | Total |
| | Year | $000 | $000 | $000 | $000 | $000 |
| **Non-executive Directors – Current** | | | | | | |
| **B Kruger, Chairman** | **2021** | **511** | **–** | **22** | **–** | **533** |
| | 2020 | 512 | – | 21 | – | 533 |
| **G Biltz (1)** | **2021** | **162** | **–** | **–** | **–** | **162** |
| **B Brook** | **2021** | **245** | **–** | **6** | **–** | **251** |
| | 2020 | 240 | – | 11 | – | 251 |
| **T Dwyer (2)** | **2021** | **73** | **–** | **7** | **–** | **80** |
| **X Liu (3)** | **2021** | **227** | **–** | **5** | **–** | **232** |
| | 2020 | 176 | – | 8 | – | 184 |
| **G Robinson (4)** | **2021** | **217** | **–** | **21** | **–** | **238** |
| | 2020 | 151 | – | 14 | – | 165 |
| **Non-executive Directors – Former** | | | | | | |
| **R McGrath (5)** | **2021** | **53** | **–** | **–** | **–** | **53** |
| | 2020 | 239 | – | 5 | – | 244 |
| **J Breunig (6),(7)** | 2020 | 81 | 15 | – | – | 96 |
| **K Fagg AO (8)** | 2020 | 47 | – | 4 | – | 51 |
| **Total Non-executive Directors** | **2021** | **1,488** | **–** | **61** | **–** | **1,549** |
| | 2020 | 1,446 | 15 | 63 | – | 1,524 |

(A) Cash allowances and other short term benefits include travel allowances.

(1) Mr Biltz was appointed as an Independent, Non-executive Director with effect from 1 December 2020. The disclosures for the 2021 financial year do not represent a full financial year.

(2) Ms Dwyer was appointed as an Independent, Non-executive Director with effect from 20 May 2021. The disclosures for the 2021 financial year do not represent a full financial year.

(3) Dr Liu was appointed as an Independent, Non-executive Director with effect from 25 November 2019. The disclosures for the 2020 financial year do not represent a full financial year.

(4) Mr Robinson was appointed as an Independent, Non-executive Director with effect from 25 November 2019. The disclosures for the 2020 financial year do not represent a full financial year.

(5) Ms McGrath retired from the Board as an Independent, Non-executive Director on 18 December 2020.

(6) Mr Breunig resides in the United States and received a travel allowance of $5,000 per trip to Australia to attend Board and/or Committee meetings.

(7) Mr Breunig resigned from the Board as an Independent, Non-executive Director on 28 February 2020.

(8) Ms Fagg retired from the Board as an Independent, Non-executive Director on 20 December 2019.

# 7. Shareholdings in IPL

The Minimum Shareholding Requirement for Non-executive Directors is an initiative to better align Director and Shareholder interests and requires each Director to hold the equivalent of 100% of their base Board fee in IPL shares and/or rights to shares (that have been fully sacrificed for under IPL's Non-executive Director Fee Sacrifice Plan) at the completion of 5-years of service. As at 30 September 2021, all Directors (excluding those joining the IPL Board during the current financial year) were required to hold 20% of their base Board fee per annum in IPL shares and/or rights to shares. All Directors satisfied this requirement.

**Table 10 – Movements in rights in the Company**

IPL's Non-executive Director Fee Sacrifice Plan (the Plan) commenced in 2019. Three six-monthly tranches of rights issued under the Plan has so far vested into shares. The next tranche of rights are scheduled to vest in November 2021. These rights, as well as those that subsequently convert to shares, combine to form part of the Non-executive Director's Minimum Shareholding Requirement (MSR) that is outlined in further detail in the next section of the report.

The movement during the reporting period in the number of rights for each Non-executive Director, including their related parties, is set out in the table below:

| | Number of Rights (A) | | | | | $'000 |
|---|---|---|---|---|---|---|
| | Opening balance | Rights acquired | Vested (B) | Forfeited | Closing balance | Maximum value of outstanding rights (C) |
| **Non-executive Directors – Current** | | | | | | |
| **B Kruger** | 26,062 | 44,264 | (51,401) | – | 18,925 | 53 |
| **G Biltz** | – | – | – | – | – | – |
| **B Brook** | 17,374 | 23,201 | (34,267) | – | 6,308 | 18 |
| **T Dwyer** | – | – | – | – | – | – |
| **X Liu** | 7,239 | 17,908 | (15,685) | – | 9,462 | 27 |
| **G Robinson** | – | – | – | – | – | – |

(A) Includes movements of rights acquired under the Plan.

(B) For the 2021 financial year, this represents the number of rights vested during the reporting period under the Plan.

(C) Value of outstanding rights based on 20 Day VWAP – 4 March 2021 to 31 March 2021.

**Table 11 – Movements in shares in the Company**

The movement during the reporting period in the number of shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties, is set out in the table below:

| | Number of Shares (A) | | | |
|---|---|---|---|---|
| | Opening balance | Shares acquired | Shares disposed (B) | Closing balance (C) |
| **Non-executive Directors – Current** | | | | |
| **B Kruger** | 42,017 | 51,401 | – | 93,418 |
| **G Biltz** | – | 100,000 | – | 100,000 |
| **B Brook** | 32,313 | 34,267 | – | 66,580 |
| **T Dwyer** | – | – | – | – |
| **X Liu** | 43,000 | 15,685 | – | 58,685 |
| **G Robinson** | 67,020 | – | – | 67,020 |
| **Non-executive Directors – Former** | | | | |
| **R McGrath** | 40,008 | – | – | 40,008 |
| **Executive Director – Current** | | | | |
| **J Johns** | 617,995 | 201,530 | – | 819,525 |
| **Executives – Current** | | | | |
| **N Stratford (1)** | 47,079 | 17,629 | (6,376) | 58,332 |
| **G Hayne** | 23,633 | 11,690 | – | 35,323 |
| **B Lusk** | – | – | – | – |
| **S Titze** | – | – | – | – |
| **Executives – Former** | | | | |
| **T Wall (2)** | 44,651 | 34,651 | – | 79,302 |

(A) Includes fully paid ordinary shares and shares acquired under IPL's incentive plans. Details of these plans are set out in note 18, Share-based payments.

(B) Shares disposed include withholding tax payments.

(C) Where a director or an Executive has ceased to be a KMP during the reporting year, the balance stated in this column represents the number of shares held as at the date the Director or Executive ceased to be a KMP.

(1) Mr Stratford had 6,376 shares sold on his behalf to fulfill United States withholding tax obligations associated with his 17,629 shares acquired under IPL's Long Term Incentive Plan.

(2) Mr Wall ceased as a KMP on 16 July 2021.

# 8. Other KMP Disclosures

### Loans to KMP

In the year ended 30 September 2021, there were no loans to key management personnel and their related parties (2020: nil).

### Other KMP transactions

In the year ended 30 September 2021, there were no transactions entered into during the year with key management personnel (including their related parties).

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The Board of Directors
Incitec Pivot Limited
Level 8, 28 Freshwater Place
Southbank Victoria 3006

15 November 2021

Dear Board Members

## Incitec Pivot Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Incitec Pivot Limited.

As lead audit partner for the audit of the financial statements of Incitec Pivot Limited for the financial year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

# FINANCIAL REPORT CONTENTS



# Introduction

This is the consolidated financial report of Incitec Pivot Limited (the **Company**, **IPL**, or **Incitec Pivot**) a company domiciled in Australia, and its subsidiaries including its interests in joint ventures and associates (collectively referred to as the **Group**) for the financial year ended 30 September 2021.

# Content and Structure of the Financial Report

The notes to the financial statements and the related accounting policies are grouped into the following distinct sections in the 2021 financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

| Section | Description |
|---|---|
| **Financial performance** | Provides detail on the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position that are most relevant in forming an understanding of the Group's financial performance for the year. |
| **Shareholder returns** | Provides information on the performance of the Group in generating shareholder returns. |
| **Capital structure** | Provides information about the Group's capital and funding structures. |
| **Capital investment** | Provides information on the Group's investment in tangible and intangible assets, and the Group's future capital commitments. |
| **Risk management** | Provides information about the Group's risk exposures, risk management practices, provisions and contingent liabilities. |
| **Other** | Provides information on items that require disclosure to comply with Australian Accounting Standards and the requirements under the Corporations Act. 2001. |

Information is included in the notes to the financial report only to the extent it is considered material and relevant to the understanding of the financial report. A disclosure is considered material and relevant if, for example:

- the dollar amount is significant in size (quantitative factor)
- the item is significant by nature (qualitative factor)
- the Group's result cannot be understood without the specific disclosure (qualitative factor)
- it relates to an aspect of the Group's operations that is important to its future performance.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 30 September 2021

| | Notes | 2021 $mill | 2020 $mill |
|---|---|---|---|
| Revenue | (2) | **4,348.5** | 3,942.2 |
| Financial and other income | (2) | **33.4** | 43.4 |
| Share of profit of equity accounted investments | (14) | **41.9** | 32.3 |
| **Operating expenses** | | | |
| Changes in inventories of finished goods and work in progress | | **104.2** | (121.3) |
| Raw materials and consumables used and finished goods purchased for resale | | **(2,158.5)** | (1,707.4) |
| Employee expenses | | **(701.5)** | (723.8) |
| Depreciation and amortisation | (2) | **(368.5)** | (356.0) |
| Financial expenses | (2) | **(114.7)** | (139.6) |
| Purchased services | | **(198.6)** | (200.0) |
| Repairs and maintenance | | **(181.5)** | (181.2) |
| Outgoing freight | | **(286.6)** | (287.6) |
| Lease payments – operating leases | | **(25.9)** | (26.7) |
| Asset impairment write-downs and site exit costs | | **(270.5)** | (57.3) |
| Other expenses | | **(61.5)** | (66.1) |
| **Profit before income tax** | | **160.2** | 150.9 |
| Income tax expense | (3) | **(11.1)** | (27.5) |
| **Profit for the year attributable to members of Incitec Pivot Limited** | | **149.1** | 123.4 |
| | | | |
| **Other comprehensive income, net of income tax** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Actuarial gain/(loss) on defined benefit plans | (20) | **30.8** | (9.0) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | | **(8.3)** | 2.5 |
| | | **22.5** | (6.5) |
| | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Fair value loss on cash flow hedges | (17) | **(20.8)** | (4.3) |
| Cash flow hedge loss/(gain) transferred to profit or loss | (17) | **22.4** | (19.0) |
| Exchange differences on translating foreign operations | | **(22.9)** | (354.5) |
| Net gain on hedge of net investment | (17) | **25.3** | 125.5 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | | **6.9** | 49.3 |
| | | **10.9** | (203.0) |
| **Other comprehensive income for the year, net of income tax** | | **33.4** | (209.5) |
| **Total comprehensive income for the year attributable to members of Incitec Pivot Limited** | | **182.5** | (86.1) |
| | | | |
| **Earnings per share** | | | |
| Basic (cents per share) | (5) | **7.7** | 7.1 |
| Diluted (cents per share) | (5) | **7.7** | 7.1 |

# Consolidated Statement of Financial Position

As at 30 September 2021

| | Notes | 2021 $mill | 2020 $mill |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | (8) | **651.8** | 554.6 |
| Trade and other receivables | (4) | **487.6** | 373.9 |
| Inventories | (4) | **577.7** | 474.4 |
| Other assets | | **46.9** | 47.2 |
| Other financial assets | (17) | **55.4** | 79.8 |
| **Total current assets** | | **1,819.4** | 1,529.9 |
| **Non-current assets** | | | |
| Trade and other receivables | (4) | **29.4** | 26.9 |
| Other assets | | **27.1** | 25.8 |
| Other financial assets | (17) | **33.6** | 56.1 |
| Equity accounted investments | (14) | **324.8** | 326.3 |
| Property, plant and equipment | (9) | **3,928.9** | 4,071.7 |
| Right-of-use lease assets | (10) | **214.5** | 221.1 |
| Intangible assets | (11) | **3,000.9** | 3,019.7 |
| Deferred tax assets | (3) | **12.0** | 13.5 |
| **Total non-current assets** | | **7,571.2** | 7,761.1 |
| **Total assets** | | **9,390.6** | 9,291.0 |
| **Current liabilities** | | | |
| Trade and other payables | (4) | **1,229.3** | 1,049.4 |
| Lease liabilities | (10) | **45.0** | 41.5 |
| Interest bearing liabilities | (8) | **18.8** | 21.2 |
| Other financial liabilities | (17) | **47.2** | 93.6 |
| Provisions | (16) | **101.3** | 102.3 |
| Current tax liabilities | | **86.8** | 21.5 |
| **Total current liabilities** | | **1,528.4** | 1,329.5 |
| **Non-current liabilities** | | | |
| Trade and other payables | (4) | **21.0** | 16.2 |
| Lease liabilities | (10) | **197.5** | 206.2 |
| Interest bearing liabilities | (8) | **1,650.0** | 1,849.1 |
| Other financial liabilities | (17) | **46.3** | 65.3 |
| Provisions | (16) | **209.0** | 125.5 |
| Deferred tax liabilities | (3) | **340.2** | 429.0 |
| Retirement benefit obligation | (20) | **29.6** | 66.9 |
| **Total non-current liabilities** | | **2,493.6** | 2,758.2 |
| **Total liabilities** | | **4,022.0** | 4,087.7 |
| **Net assets** | | **5,368.6** | 5,203.3 |
| **Equity** | | | |
| Issued capital | (7) | **3,806.2** | 3,806.2 |
| Reserves | | **(208.7)** | (221.8) |
| Retained earnings | | **1,771.1** | 1,618.9 |
| **Total equity** | | **5,368.6** | 5,203.3 |

# Consolidated Statement of Cash Flows

## For the year ended 30 September 2021

| | Notes | 2021 $mill Inflows (Outflows) | 2020 $mill Inflows (Outflows) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit after tax for the year | | **149.1** | 123.4 |
| *Adjusted for non-cash items* | | | |
| Net finance cost | | **112.8** | 135.7 |
| Depreciation and amortisation | (2) | **368.5** | 356.0 |
| Write-down of property, plant and equipment | (9) | **213.1** | 16.3 |
| Impairment of intangible assets | (11) | **–** | 41.0 |
| Share of profit of equity accounted investments | (14) | **(41.9)** | (32.3) |
| Net gain on sale of property, plant and equipment | (2) | **(0.3)** | (1.6) |
| Non-cash share-based payment transactions | (18) | **3.2** | 2.4 |
| Income tax expense | (3) | **11.1** | 27.5 |
| *Changes in assets and liabilities* | | | |
| Increase in receivables and other operating assets | | **(127.4)** | (47.1) |
| (Increase)/decrease in inventories | | **(100.6)** | 112.3 |
| Increase/(decrease) in payables, provisions and other operating liabilities | | **159.8** | (70.2) |
| | | **747.4** | 663.4 |
| *Adjusted for cash items* | | | |
| Dividends received | (14) | **44.6** | 30.9 |
| Interest received | | **1.9** | 3.9 |
| Interest paid | | **(110.6)** | (139.4) |
| Income tax paid | | **(33.1)** | (13.7) |
| **Net cash flows from operating activities** | | **650.2** | 545.1 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment and intangibles | | **(355.0)** | (278.4) |
| Proceeds from sale of property, plant and equipment | | **5.7** | 7.4 |
| Payments for acquisition of subsidiaries, non-controlling interest and equity investments | | **(8.5)** | (23.4) |
| Payments towards investment in joint arrangement | | **(4.4)** | (9.8) |
| Loan payments from equity accounted investees | | **19.9** | – |
| Payments from settlement of net investment hedge derivatives | | **(0.1)** | (75.2) |
| **Net cash flows from investing activities** | | **(342.4)** | (379.4) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | (8) | **(157.9)** | (1,487.6) |
| Proceeds from borrowings | (8) | **–** | 723.0 |
| Proceeds from equity raising | | **–** | 645.5 |
| Dividends paid to members of Incitec Pivot Limited | (6) | **(19.4)** | (30.7) |
| Lease liability payments | | **(41.4)** | (41.9) |
| Realised market value gain on derivatives | | **8.5** | 10.3 |
| Purchased shares for IPL employees | | **(1.0)** | (1.3) |
| **Net cash flows from financing activities** | | **(211.2)** | (182.7) |
| Net increase/(decrease) in cash and cash equivalents held | | **96.6** | (17.0) |
| Cash and cash equivalents at the beginning of the year | | **554.6** | 576.4 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | | **0.6** | (4.8) |
| **Cash and cash equivalents at the end of the year** | (8) | **651.8** | 554.6 |

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

| | Notes | Issued capital $mill | Cash flow hedging reserve $mill | Share-based payments reserve $mill | Foreign currency translation reserve $mill | Fair value reserve $mill | Retained earnings $mill | Total equity $mill |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2019** | | 3,136.8 | (48.3) | 26.0 | 22.1 | (19.7) | 1,570.9 | 4,687.8 |
| Adoption of AASB 16 *Leases* | | – | – | – | – | – | (14.3) | (14.3) |
| Profit for the year | | – | – | – | – | – | 123.4 | 123.4 |
| Total other comprehensive income for the year | | – | (16.0) | – | (187.0) | – | (6.5) | (209.5) |
| Dividends paid | (6) | – | – | – | – | – | (54.6) | (54.6) |
| Shares issued during the year | | 669.4 | – | – | – | – | – | 669.4 |
| Purchased shares for IPL employees | | – | – | (1.3) | – | – | – | (1.3) |
| Share-based payment transactions | (18) | – | – | 2.4 | – | – | – | 2.4 |
| **Balance at 30 September 2020** | | 3,806.2 | (64.3) | 27.1 | (164.9) | (19.7) | 1,618.9 | 5,203.3 |
| **Balance at 1 October 2020** | | **3,806.2** | **(64.3)** | **27.1** | **(164.9)** | **(19.7)** | **1,618.9** | **5,203.3** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **149.1** | **149.1** |
| Total other comprehensive income for the year | | **–** | **0.9** | **–** | **10.0** | **–** | **22.5** | **33.4** |
| Dividends paid | (6) | **–** | **–** | **–** | **–** | **–** | **(19.4)** | **(19.4)** |
| Purchased shares for IPL employees | | **–** | **–** | **(1.0)** | **–** | **–** | **–** | **(1.0)** |
| Share-based payment transactions | (18) | **–** | **–** | **3.2** | **–** | **–** | **–** | **3.2** |
| **Balance at 30 September 2021** | | **3,806.2** | **(63.4)** | **29.3** | **(154.9)** | **(19.7)** | **1,771.1** | **5,368.6** |

## Cash flow hedging reserve

This reserve comprises the cumulative net change in the fair value of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## Share-based payments reserve

This reserve comprises the fair value of rights recognised as an employee expense under the terms of the 2018/21, 2019/22 and 2020/23 Long Term Incentive Plans.

## Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve. The relevant portion of the reserve is recognised in the profit or loss when the foreign operation is disposed of.

The foreign currency translation reserve is also used to record gains and losses on hedges of net investments in foreign operations.

## Fair value reserve

This reserve represents the cumulative net change in the fair value of equity instruments. The annual net change in the fair value of investments in equity securities (including both realised and unrealised gains and losses) is recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

## For the year ended 30 September 2021

# Notes to the Consolidated Financial Statements: **Basis of preparation**

For the year ended 30 September 2021

## Basis of preparation and consolidation

The consolidated financial statements of the Group have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value.

The financial results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Where applicable, comparative disclosures have been reclassified for consistency with the current period.

The consolidated financial statements were authorised for issue by the directors on 15 November 2021.

*Subsidiaries*

Subsidiaries are entities that are controlled by the Group. The financial results and financial position of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

A list of the Group's subsidiaries is included in note 15.

*Joint arrangements and associates*

A joint venture is an arrangement where the parties have rights to the net assets of the venture.

A joint operation is an arrangement where the parties each have rights to the assets and liabilities relating to the arrangement.

Associates are those entities in respect of which the Group has significant influence, but not control, over the financial and operating policies of the entities.

Investments in joint ventures and associates are accounted for using the equity method. They are initially recognised at cost, and subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the investees.

The interests in joint operations are brought to account recognising the Group's share of jointly controlled assets; liabilities; expenses; and income from the joint operation.

A list of the Group's joint arrangements and associates is included in note 15.

## Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (**IFRS**) and interpretations. The Company is a for-profit entity.

## Key estimates and judgments

Key accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the subsequent related actual result. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are set out in the notes.

## Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument, *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission dated 24 March 2016 and, in accordance with that Legislative Instrument, the amounts shown in this report and in the financial statements have been rounded, except where otherwise stated, to the nearest one hundred thousand dollars.

## Impact of COVID-19 pandemic

The Group continues to actively manage the risks arising from COVID-19 on the health and safety of its people and the business continuity of the Group's operations. The Group's operations are in industries that have been deemed as providing 'essential services' by governments and continue to run in line with the required safety and health guidelines. IPL has also implemented a financial Response Plan that commenced in FY20 to deliver sustained cost savings from business efficiencies and improvement of free cash flow by FY22. The extent of the future impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the containment strategies imposed by governments and duration of the COVID-19 pandemic, and the subsequent impact of these strategies on the operations of customers, employees and vendors.

## Accounting standards issued

The Group adopted all amendments to Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to its operations and effective for the current year. The adoption of these revised Standards and Interpretations did not have a material impact on the Group's result.

Certain new accounting Standards and Interpretations have been issued that are not mandatory for the 30 September 2021 reporting period and have not been early adopted by the Group. These Standards and Interpretations are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

# Notes to the Consolidated Financial Statements: **Financial performance**

For the year ended 30 September 2021

## 1. Segment report

The Group operates a number of strategic divisions that offer different products and services and operate in different markets. For reporting purposes, these divisions are known as reportable segments. The results of each segment are reviewed monthly by the executive management team (the chief operating decision makers) to assess performance and make decisions about the allocation of resources.

### Description of reportable segments

*Asia Pacific*

Fertilisers Asia Pacific (**Fertilisers APAC**): manufactures and sells fertilisers in Eastern Australia and the export market. It also manufactures, imports and sells industrial chemicals to the agricultural sector and other specialist industries.

Dyno Nobel Asia Pacific (**DNAP**): manufactures and sells industrial explosives and related products and services to the mining industry in the Asia Pacific region and Turkey.

Asia Pacific Eliminations (**APAC Elim**): represent elimination of sales and profit in stock arising from Fertilisers APAC sales to DNAP.

*Americas*

Dyno Nobel Americas (**DNA**): manufactures and sells industrial explosives and related products and services to the mining, quarrying and construction industries in the Americas (Canada, Mexico and Chile) and initiating systems to businesses in Australia, Turkey and South Africa. It also manufactures and sells industrial chemicals to the agricultural sector and other specialist industries.

*Corporate*

Corporate costs include all head office expenses that cannot be directly or reasonably attributed to the operation of any of the Group's businesses.

Group Eliminations (**Group Elim**): represent elimination of sales and profit in stock arising from intersegment sales.

### Reportable segments – financial information

| | | Asia Pacific | | | | Americas | | | |
|---|---|---|---|---|---|---|---|---|---|
| **30 September 2021** | **Notes** | **Fertilisers APAC $mill** | **DNAP $mill** | **APAC Elim $mill** | **Total $mill** | **DNA $mill** | **Group Elim $mill** | **Corporate[i] $mill** | **Consolidated Group $mill** |
| Revenue from external customers | (2) | **1,894.6** | **937.8** | **(25.8)** | **2,806.6** | **1,588.7** | **(46.8)** | **–** | **4,348.5** |
| Share of profits of equity accounted investments | (14) | **–** | **14.5** | **–** | **14.5** | **27.4** | **–** | **–** | **41.9** |
| EBITDA[ii] | | **382.1** | **219.5** | **–** | **601.6** | **359.9** | **(2.1)** | **(24.5)** | **934.9** |
| Depreciation and amortisation | (2) | **(113.7)** | **(79.3)** | **–** | **(193.0)** | **(170.0)** | **0.3** | **(5.8)** | **(368.5)** |
| EBIT[iii] | | **268.4** | **140.2** | **–** | **408.6** | **189.9** | **(1.8)** | **(30.3)** | **566.4** |
| Net interest expense | | | | | | | | | **(112.8)** |
| Income tax expense (excluding IMIs) | | | | | | | | | **(95.0)** |
| Profit after tax[iv] | | | | | | | | | **358.6** |
| Individually material items (net of tax) | (2) | | | | | | | | **(209.5)** |
| **Profit attributable to members of IPL** | | | | | | | | | **149.1** |
| Segment assets | | **1,558.4** | **2,588.1** | **–** | **4,146.5** | **4,450.4** | **–** | **781.7** | **9,378.6** |
| Segment liabilities | | **(1,059.9)** | **(236.4)** | **–** | **(1,296.3)** | **(669.0)** | **–** | **(1,716.5)** | **(3,681.8)** |
| Net segment assets[v] | | **498.5** | **2,351.7** | **–** | **2,850.2** | **3,781.4** | **–** | **(934.8)** | **5,696.8** |
| Deferred tax balances | (3) | | | | | | | | **(328.2)** |
| **Net assets** | | | | | | | | | **5,368.6** |

(i) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(ii) Earnings Before Interest, related income tax expense, depreciation and amortisation and individually material items.

(iii) Earnings Before Interest, related income tax expense and individually material items.

(iv) Profit after tax (excluding individually material items).

(v) Net segment assets exclude deferred tax balances.

# Notes to the Consolidated Financial Statements: **Financial performance**

For the year ended 30 September 2021

| 30 September 2020 | Notes | Asia Pacific<br>Fertilisers APAC $mill | Asia Pacific<br>DNAP $mill | Asia Pacific<br>APAC Elim $mill | Asia Pacific<br>Total $mill | Americas<br>DNA $mill | Group Elim $mill | Corporate(i) $mill | Consolidated Group $mill |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | (2) | 1,502.0 | 999.2 | (18.5) | 2,482.7 | 1,506.5 | (47.0) | – | 3,942.2 |
| Share of profits of equity accounted investments | (14) | – | 11.8 | – | 11.8 | 20.5 | – | – | 32.3 |
| EBITDA(ii) | | 129.0 | 230.7 | – | 359.7 | 396.3 | (0.3) | (25.2) | 730.5 |
| Depreciation and amortisation | (2) | (102.8) | (81.4) | – | (184.2) | (165.5) | 0.2 | (6.5) | (356.0) |
| EBIT(iii) | | 26.2 | 149.3 | – | 175.5 | 230.8 | (0.1) | (31.7) | 374.5 |
| Net interest expense | | | | | | | | | (135.7) |
| Income tax expense (excluding IMIs) | | | | | | | | | (50.6) |
| Profit after tax(iv) | | | | | | | | | 188.2 |
| Individually material items (net of tax) | (2) | | | | | | | | (64.8) |
| Profit attributable to members of IPL | | | | | | | | | 123.4 |
| Segment assets | | 1,536.0 | 2,564.9 | – | 4,100.9 | 4,436.5 | – | 740.1 | 9,277.5 |
| Segment liabilities | | (770.1) | (282.4) | – | (1,052.5) | (639.2) | – | (1,967.0) | (3,658.7) |
| Net segment assets(v) | | 765.9 | 2,282.5 | – | 3,048.4 | 3,797.3 | – | (1,226.9) | 5,618.8 |
| Deferred tax balances | (3) | | | | | | | | (415.5) |
| Net assets | | | | | | | | | 5,203.3 |

(i) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(ii) Earnings Before Interest, related income tax expense, depreciation and amortisation and individually material items.

(iii) Earnings Before Interest, related income tax expense and individually material items.

(iv) Profit after tax (excluding individually material items).

(v) Net segment assets exclude deferred tax balances.

## Geographical information – secondary reporting segments

The Group operates in four principal countries being Australia (country of domicile), USA, Canada and Turkey.

In presenting information on the basis of geographical information, revenue is based on the geographical location of the entity making the sale. Assets are based on the geographical location of the assets.

| **30 September 2021** | **Australia $mill** | **USA $mill** | **Canada $mill** | **Turkey $mill** | **Other/Elim $mill** | **Consolidated $mill** |
|---|---|---|---|---|---|---|
| Revenue from external customers | **2,739.7** | **1,278.3** | **285.7** | **38.9** | **5.9** | **4,348.5** |
| Non-current assets other than financial assets and deferred tax assets | **3,435.3** | **3,863.0** | **99.1** | **2.4** | **125.8** | **7,525.6** |
| Trade and other receivables | **258.9** | **142.6** | **73.5** | **12.5** | **29.5** | **517.0** |

| 30 September 2020 | Australia $mill | USA $mill | Canada $mill | Turkey $mill | Other/Elim $mill | Consolidated $mill |
|---|---|---|---|---|---|---|
| Revenue from external customers | 2,399.0 | 1,237.5 | 249.8 | 50.5 | 5.4 | 3,942.2 |
| Non-current assets other than financial assets and deferred tax assets | 3,549.2 | 3,942.2 | 80.6 | 2.0 | 117.5 | 7,691.5 |
| Trade and other receivables | 215.9 | 98.6 | 46.7 | 11.2 | 28.4 | 400.8 |

# Notes to the Consolidated Financial Statements: **Financial performance**

For the year ended 30 September 2021

## 2. Revenue and expenses

| | Notes | **2021 $mill** | 2020 $mill |
|---|---|---|---|
| **Revenue** | | | |
| External sales | | **4,348.5** | 3,942.2 |
| Total revenue | | **4,348.5** | 3,942.2 |
| **Financial income** | | | |
| Interest income | | **1.9** | 3.9 |
| **Other income** | | | |
| Royalty income and management fees | | **29.5** | 27.3 |
| Net gain on sale of property, plant and equipment | | **0.3** | 1.6 |
| Other income from operations | | **1.7** | 10.6 |
| Total financial and other income | | **33.4** | 43.4 |

**Expenses**

Profit before income tax includes the following specific expenses:

| | Notes | **2021 $mill** | 2020 $mill |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Depreciation | | | |
| property, plant and equipment | (9) | **303.0** | 290.7 |
| leases | (10) | **42.5** | 40.7 |
| Amortisation | (11) | **23.0** | 24.6 |
| Total depreciation and amortisation | | **368.5** | 356.0 |
| **Recoverable amount write-down** | | | |
| property, plant and equipment | (9) | **213.1** | 16.3 |
| intangible assets | (11) | **–** | 41.0 |
| Total recoverable amount write-down | | **213.1** | 57.3 |
| **Amounts set aside to provide for:** | | | |
| impairment losses on trade and other receivables | (4) | **0.4** | 6.1 |
| inventory losses and obsolescence | (4) | **1.4** | 0.2 |
| employee entitlements | (16) | **7.7** | 8.5 |
| environmental liabilities | (16) | **4.1** | 1.9 |
| legal and other provisions | (16) | **0.5** | 2.4 |
| restructuring and rationalisation costs | (16) | **83.5** | 29.3 |
| Research and development expense | | **20.7** | 18.9 |
| Defined contribution superannuation expense | | **32.8** | 33.5 |
| Defined benefit superannuation expense | (20) | **2.7** | 2.9 |
| **Financial expenses** | | | |
| Interest on lease liabilities | (10) | **5.6** | 5.9 |
| Unwinding of discount on provisions | (16) | **5.4** | 5.7 |
| Net interest expense on defined benefit obligation | (20) | **1.8** | 1.4 |
| Interest expenses on financial liabilities | | **101.9** | 126.6 |
| **Total financial expenses** | | **114.7** | 139.6 |

### Individually material items

Profit after tax includes the following expenses whose disclosure is relevant in explaining the financial performance of the Group:

**30 September 2021**

| | **Gross $mill** | **Tax $mill** | **Net $mill** |
|---|---|---|---|
| Cheyenne manufacturing plant impairment | 107.4 | (28.0) | 79.4 |
| Gibson Island manufacturing plant closure | | | |
| - Impairment of assets | 102.5 | (30.8) | 71.7 |
| - Closure costs (1) | 83.5 | (25.1) | 58.4 |
| **Total individually material items (2)** | **293.4** | **(83.9)** | **209.5** |

(1) Closure costs include employee redundancies ($26.1m) and decommission and other closure related costs ($57.4m).

(2) Refer to note 12 for further details surrounding the individually material items.

**30 September 2020**

| | **Gross $mill** | **Tax $mill** | **Net $mill** |
|---|---|---|---|
| Impairment of intangible assets (3) | 41.0 | (10.7) | 30.3 |
| Business restructuring costs (4) | | | |
| Employee redundancies | 24.8 | (6.8) | 18.0 |
| Impairment of operating assets, site exit and other direct costs | 22.1 | (5.6) | 16.5 |
| **Total individually material items** | **87.9** | **(23.1)** | **64.8** |

(3) During the year ended 30 September 2020 intangible assets were impaired by $41.0m following a detailed review of the Group's technology and software products and offerings given the continued enhancement of the Group's technology portfolio.

(4) Costs incurred directly due to the business restructure which include redundancies and related costs, asset impairment write downs, and site exit and reconfiguration costs.

### Key accounting policies

*Revenue*

Revenue is measured at the fair value of the consideration received or receivable by the Group. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities on the following basis:

» Sale of goods and services: revenue from the sale of goods and services is recognised at the point in time when the performance obligations under the customer contract are satisfied. This is typically when control of goods or services is transferred to the customer. The fee for the service component is recognised separately from the sale of goods.

» Take-or-pay revenue: revenue is recognised in line with the sale of goods policy. In circumstances where goods are not taken by the customer, revenue is recognised when the likelihood of the customer meeting its obligation to 'take goods' becomes remote.

» Interest income is recognised as it accrues using the effective interest method.

The Group disaggregates its revenue per reportable segment as presented in note 1, as the revenue within each business unit is affected by economic factors in a similar manner.

*Goods and services tax*

Revenues, expenses, assets and liabilities (other than receivables and payables) are recognised net of the amount of goods and services tax (**GST**). The only exception is where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of the asset or as part of the item of expenditure.

*Other income*

Other income from operations represents gains that are not revenue. This includes royalty income and management fees from the Group's joint ventures and associates, and income from contractual arrangements that are not considered external sales.

# Notes to the Consolidated Financial Statements: **Financial performance**

For the year ended 30 September 2021

## 3. Taxation

### Income tax expense for the year

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| **Current tax expense** | | |
| Current year | **96.7** | 25.1 |
| Adjustments in respect of prior years | **1.8** | (1.7) |
| | **98.5** | 23.4 |
| **Deferred tax expense** | | |
| Current year | **(87.4)** | 4.1 |
| **Total income tax expense** | **11.1** | 27.5 |

### Income tax reconciliation to prima facie tax payable

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Profit before income tax | **160.2** | 150.9 |
| Tax at the Australian tax rate of 30% (2020: 30%) | **48.1** | 45.3 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Joint venture income | **(11.7)** | (8.1) |
| Sundry items | **(17.7)** | (4.2) |
| Difference in overseas tax rates | **(9.4)** | (3.8) |
| Adjustments in respect of prior years | **1.8** | (1.7) |
| **Income tax expense attributable to profit** | **11.1** | 27.5 |

### Tax amounts recognised directly in equity

The aggregate current and deferred tax arising in the financial year and not recognised in net profit or loss but directly charged to equity is $1.4m for the year ended 30 September 2021 (2020: credit of $51.8m).

### Net deferred tax assets/(liabilities)

Deferred tax balances comprise temporary differences attributable to the following:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Employee entitlements provision | **19.7** | 21.7 |
| Retirement benefit obligations | **8.7** | 18.4 |
| Provisions and accruals | **95.1** | 51.1 |
| Lease liabilities | **69.1** | 70.6 |
| Tax losses | **188.4** | 170.3 |
| Property, plant and equipment | **(565.7)** | (554.0) |
| Right-of-use lease assets | **(60.8)** | (62.9) |
| Intangible assets | **(87.2)** | (91.2) |
| Joint venture income | **(12.7)** | (13.1) |
| Financial instruments | **18.2** | (12.4) |
| Other | **(1.0)** | (14.0) |
| Net deferred tax liabilities | **(328.2)** | (415.5) |

Presented in the Statement of Financial Position as follows:

| | | |
|---|---|---|
| Deferred tax assets | **12.0** | 13.5 |
| Deferred tax liabilities | **(340.2)** | (429.0) |
| Net deferred tax liabilities | **(328.2)** | (415.5) |

### Movements in net deferred tax liabilities

The table below sets out movements in net deferred tax balances for the period ended 30 September:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Opening balance at 1 October | **(415.5)** | (482.5) |
| Adoption of AASB 16 *Leases* | **–** | 6.0 |
| Credited/(debited) to the profit or loss | **87.4** | (4.1) |
| Charged to equity | **(1.4)** | 51.8 |
| Foreign exchange movements | **1.3** | 13.3 |
| Closing balance at 30 September | **(328.2)** | (415.5) |

## Key accounting policies

*Income tax expense*

Income tax expense comprises current tax (amounts 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, unless it relates to items that have been recognised in equity (as part of other comprehensive income). In this instance, the related tax expense is also recognised in equity.

*Current tax*

Current tax is the expected tax payable on the taxable income for the year. It is calculated using tax rates applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

*Deferred tax*

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

*Offsetting tax balances*

Tax assets and liabilities are offset when the Group has a legal right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Tax consolidation*

For details on the Company's tax consolidated group refer to note 22.

## Key estimates and judgments

*Uncertain tax matters*

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result the calculation of the Group's tax charge involves a degree of estimation and judgment in respect of certain items. In addition, there are transactions and calculations relating to the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax audit issues in deferred tax liabilities based on management's assessment of whether additional taxes may be payable and calculates the provision in accordance with the applicable accounting standards including IFRIC 23 *Uncertainty over income tax treatments*. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determination is made. Certain long standing matters across the Group were resolved during the year and are reflected in the "Sundry items" disclosure line above.

# Notes to the Consolidated Financial Statements: **Financial performance**

For the year ended 30 September 2021

## 4. Trade and other assets and liabilities

The Group's total trade and other assets and liabilities consists of inventory, receivables and payables balances, net of provisions for any impairment losses.

| **30 September 2021** | **Trade $mill** | **Other $mill** | **Total $mill** |
|---|---|---|---|
| Inventories | **577.7** | **–** | **577.7** |
| Receivables | **470.8** | **46.2** | **517.0** |
| Payables | **(927.8)** | **(322.5)** | **(1,250.3)** |
| | **120.7** | **(276.3)** | **(155.6)** |

| 30 September 2020 | Trade $mill | Other $mill | Total $mill |
|---|---|---|---|
| Inventories | 474.4 | – | 474.4 |
| Receivables | 338.9 | 61.9 | 400.8 |
| Payables | (798.5) | (267.1) | (1,065.6) |
| | 14.8 | (205.2) | (190.4) |

**Inventories by category:**

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Raw materials and stores | **130.9** | 131.8 |
| Work-in-progress | **77.9** | 62.6 |
| Finished goods | **382.2** | 293.5 |
| Provisions | **(13.3)** | (13.5) |
| Total inventories balance | **577.7** | 474.4 |

**Provision movement:**

| **30 September 2021** | **Trade receivables $mill** | **Inventories $mill** |
|---|---|---|
| Carrying amount at 1 October 2020 | **(22.3)** | **(13.5)** |
| Provisions made during the year | **(0.4)** | **(1.4)** |
| Provisions written back during the year | **0.9** | **1.0** |
| Amounts written off against provisions | **3.4** | **0.7** |
| Foreign exchange rate movements | **1.2** | **(0.1)** |
| Carrying amount at 30 September 2021 | **(17.2)** | **(13.3)** |

### Receivables ageing and credit loss provision

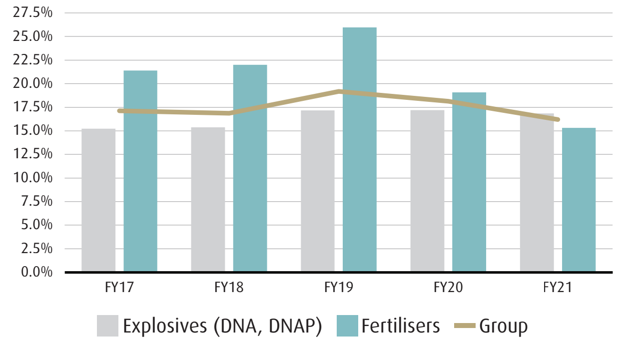
Included in the following table is an age analysis of the Group's trade receivables, along with credit loss provisions against these balances at 30 September:

| **30 September 2021** | **Gross $mill** | **Credit loss provision $mill** | **Net $mill** |
|---|---|---|---|
| Current | **455.3** | **(0.7)** | **454.6** |
| 30–90 days | **18.4** | **(2.2)** | **16.2** |
| Over 90 days | **14.3** | **(14.3)** | **–** |
| Total | **488.0** | **(17.2)** | **470.8** |

| 30 September 2020 | Gross $mill | Credit loss provision $mill | Net $mill |
|---|---|---|---|
| Current | 332.3 | (3.1) | 329.2 |
| 30–90 days | 3.0 | (1.0) | 2.0 |
| Over 90 days | 25.9 | (18.2) | 7.7 |
| Total | 361.2 | (22.3) | 338.9 |

The graph below shows the Group's trade working capital (trade assets and liabilities) performance over a five year period.

**13 month rolling average trade working capital*/ Annual net revenue**




* Trade working capital is reported gross of debtor factoring and supply chain financing arrangements.

### Key accounting policies

*Inventories*

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured goods is based on a weighted average costing method. For third party sourced goods, cost is net cost into store.

*Trade and other receivables*

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost less any provisions for expected impairment losses or actual impairment losses. Credit losses and recoveries of items previously written off are recognised in the profit or loss.

Where substantially all risks and rewards relating to a receivable are transferred to a third party, the receivable is derecognised.

To manage cash inflows which are impacted by seasonality and demand and supply variability, the Group has a nonrecourse receivable purchasing agreement to sell certain receivables to an unrelated entity in exchange for cash. As at 30 September 2021, receivables totalling $124.2m (2020: $115.9m) had been sold under this arrangement. The receivables were derecognised upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

*Trade and other payables*

Trade and other payables are stated at cost and represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid at the reporting date.

To manage the cash flow conversion cycle on some products procured by the Group, and to ensure that suppliers receive payment in a time period that suits their business model, the Group offers some suppliers the opportunity to use supply chain financing. At 30 September 2021, the balance of the supply chain finance program was $207.9m (2020: $296.4m). The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to have the characteristics of a trade payable or should be classified as borrowings. These indicators include whether the payment terms exceed customary payment terms in the industry. At 30 September 2021, the Group has assessed that on balance the payables subject to supplier financing arrangements did not meet all of the characteristics to be classified as borrowings and accordingly the balances remained in trade and other payables.

# Notes to the Consolidated Financial Statements: **Shareholder returns**

For the year ended 30 September 2021

## Key estimates and judgments

The expected impairment loss calculation for trade receivables considers the impact of past events, and exercises judgment over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. In establishing the expected impairment loss provision, the Group also assessed the impact of COVID-19 and its potential to affect customers' repayment ability. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

## 5. Earnings per share

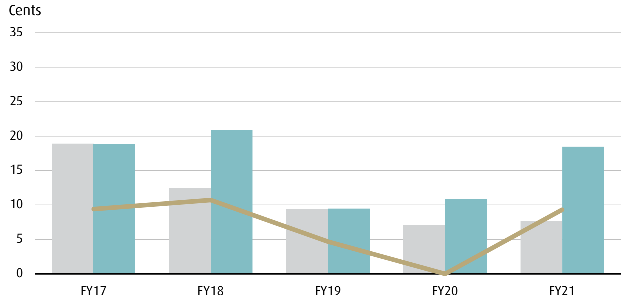
| | **2021 Cents per share** | 2020 Cents per share |
|---|---|---|
| Basic earnings per share | | |
| including individually material items | **7.7** | 7.1 |
| excluding individually material items | **18.5** | 10.9 |
| Diluted earnings per share | | |
| including individually material items | **7.7** | 7.1 |
| excluding individually material items | **18.4** | 10.8 |
| | **Number** | Number |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | **1,942,225,029** | 1,734,434,874 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | **1,946,321,171** | 1,738,277,711 |

### Reconciliation of earnings used in the calculation of basic and diluted earnings per share

| | Notes | **2021 $mill** | 2020 $mill |
|---|---|---|---|
| Profit attributable to ordinary shareholders | | **149.1** | 123.4 |
| Individually material items after income tax | (2) | **209.5** | 64.8 |
| Profit attributable to ordinary shareholders excluding individually material items | | **358.6** | 188.2 |

The graph below shows the Group's earnings per share and dividend payout over the last five years.

**Company performance and dividends declared**




## 6. Dividends

Dividends paid or declared by the Company in the year ended 30 September were:

| | **2021 $000** | 2020 $000 |
|---|---|---|
| **Ordinary shares** | | |
| Final dividend of 3.4 cents per share, 30 percent franked, paid 8 January 2020[(1)] | – | 54,591 |
| Interim dividend of 1.0 cents per share, fully franked, paid 2 July 2021 | **19,422** | – |
| Total ordinary share dividends | **19,422** | 54,591 |

(1) The dividend paid in the 2020 financial year in cash was $30.7m, and $23.9m was satisfied by the issue of 7,658,312 ordinary shares under the Company's Dividend Reinvestment Plan.

Since the end of the financial year, the directors have determined to pay a final dividend of 8.3 cents per share, 14% franked, to be paid on 16 December 2021. The record date for entitlement to this dividend is 2 December 2021. The total dividend payment will be $161.2m.

The financial effect of this dividend has not been recognised in the 2021 Consolidated Financial Statements and will be recognised in subsequent Financial Reports.

The dividend reflects a payout ratio of approximately 50 percent of net profit after tax (before individually material items).

# Notes to the Consolidated Financial Statements: **Capital structure**

For the year ended 30 September 2021

## Franking credits

Franking credits available to shareholders of the Company were $10.1m (2020: $8.9m).

## Key accounting policies

A provision for dividends payable is recognised in the reporting period in which the dividends are paid. The provision is for the total undistributed dividend amount, regardless of the extent to which the dividend will be paid in cash.

## 7. Capital management

Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders.

The Group's key strategies for maintenance of an optimal capital structure include:

» Aiming to maintain an investment grade credit profile and the requisite financial metrics.
» Securing access to diversified sources of debt funding with a spread of maturity dates and sufficient undrawn committed facility capacity.
» Optimising over the long term, to the extent practicable, the Group's Weighted Average Cost of Capital (WACC), while maintaining financial flexibility.

In order to optimise its capital structure, the Group may undertake one or a combination of the following actions:

» change the amount of dividends paid to shareholders and/or offer a dividend reinvestment plan with or without a discount and/or with or without an underwriting facility when appropriate;
» return capital or issue new shares to shareholders;
» vary discretionary capital expenditure;
» raise new debt funding or repay existing debt balances; and
» draw down additional debt or sell non-core assets to reduce debt.

*Key financial metrics*

The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including EBITDA interest cover and Net debt/EBITDA before individually material items. Financial metric targets are maintained inside debt covenant restrictions. At 30 September the Group's position in relation to these metrics was:

| | **Target range** | **2021** | 2020 |
|---|---|---|---|
| Net debt/EBITDA (times) | **equal or less than 2.5** | **1.1** | 1.4 |
| Interest cover (times) | **equal or more than 6.0** | **9.7** | 6.1 |

These ratios are impacted by a number of factors, including the level of cash retained from operating cash flows generated by the Group after paying all of its commitments (including dividends or other returns of capital), movements in foreign exchange rates, changes to market interest rates and the fair value of hedges economically hedging the Group's net debt.

*Self-insurance*

The Group also self-insures for certain insurance risks under the Singapore Insurance Act. Under this Act, authorised general insurer, Coltivi Insurance Pte Limited (the Group's self-insurance company), is required to maintain a minimum amount of capital. For the financial year ended 30 September 2021, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under this Act.

## Issued capital

*Ordinary shares*

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

Issued capital as at 30 September 2021 amounted to $3,806.2m (1,942,225,029 ordinary shares).

# Notes to the Consolidated Financial Statements: **Capital structure**

For the year ended 30 September 2021

## 8. Net debt

The Group's net debt comprises the net of interest bearing liabilities, cash and cash equivalents, and the fair value of derivative instruments economically hedging the foreign exchange rate and interest rate exposures of the Group's interest bearing liabilities at the reporting date. The Group's net debt at 30 September is analysed as follows:

| | Notes | **2021 $mill** | 2020 $mill |
|---|---|---|---|
| Interest bearing liabilities | | **1,668.8** | 1,870.3 |
| Cash and cash equivalents | | **(651.8)** | (554.6) |
| Fair value of derivatives | (17) | **(12.8)** | (287.0) |
| **Net debt** | | **1,004.2** | 1,028.7 |

At 30 September 2021, the Group's Net debt/EBITDA before individually material items was 1.1 times (2020: 1.4 times). Refer to note 7 for detail on the key financial metrics related to the Group's capital structure.

### Interest bearing liabilities

The Group's interest bearing liabilities are unsecured and expose it to various market and liquidity risks. Details of these risks and their mitigation are included in note 17.

The following table details the interest bearing liabilities of the Group at 30 September:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| **Current** | | |
| Other current loans | **2.2** | 4.8 |
| Loans from joint ventures | **16.6** | 16.4 |
| | **18.8** | 21.2 |
| **Non-current** | | |
| Other non-current loans | **0.7** | 5.2 |
| Fixed interest rate bonds | **1,649.3** | 1,843.9 |
| | **1,650.0** | 1,849.1 |
| **Total interest bearing liabilities** | **1,668.8** | 1,870.3 |

*Fixed Interest Rate Bonds*

The Group has on issue the following fixed interest rate bonds:

» USD500m of Notes as a private placement in the US market. USD250m has a fixed rate semi-annual coupon of 4.03 percent and matures in October 2028 and USD250m has a fixed rate semi-annual coupon of 4.13 percent and matures in October 2030.

» HKD560m 7 year bond as a private placement in the Regulation S debt capital market. The bond has a fixed rate annual coupon of 4.13 percent and matures in February 2026.

» AUD431.3m 7 year bond on issue in the Australian debt capital market. The bond was issued in March 2019 for AUD450m and reduced by AUD18.7m as a result of the buy-back in November 2020. The bond has a fixed rate semi-annual coupon of 4.30 percent and matures in March 2026.

» USD305.7m 10 year bond on issue in the Regulation S debt capital market. The bond was issued in August 2017 for USD400m and reduced by USD94.3m as a result of the buy-back in November 2020. The bond has a fixed rate semi-annual coupon of 3.95 percent and matures in August 2027.

*Bank Facilities*

In March 2021, IPL cancelled its US domiciled Syndicated Term facility (USD500m) and its Australian domiciled Syndicated Term facility (AUD122m and USD109m). Both facilities were due to mature in October 2021. These cancelled facilities were replaced by a Syndicated Term facility domiciled in Australia and consisting of two tranches: Tranche A has a limit of AUD490m and Tranche B has a limit of USD200m. The facility matures in April 2024.

As at 30 September 2021, the Group has committed undrawn financing facilities of $768.6m.

*Tenor of interest bearing liabilities*

The Group's average tenor of its drawn interest bearing liabilities at 30 September 2021 is 6.3 years (2020: 7.3 years) and the average tenor of its total debt facilities is 5.1 years (2020: 5.1 years).

The table below includes detail on the movements in the Group's interest bearing liabilities.

| | | **Cash flow** | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|---|
| **30 September 2021** | **1 October 2020 $mill** | **Proceeds from borrowings $mill** | **Repayments of borrowings $mill** | **Reclassification $mill** | **Foreign exchange movement $mill** | **Funding costs & fair value adjustments $mill** | **30 September 2021 $mill** |
| **Current** | | | | | | | |
| Other loans | 4.8 | – | (7.2) | 4.5 | 0.1 | – | 2.2 |
| Loans from joint ventures | 16.4 | – | – | – | 0.2 | – | 16.6 |
| **Non-current** | | | | | | | |
| Other loans | 5.2 | – | – | (4.5) | – | – | 0.7 |
| Fixed interest rate bonds | 1,843.9 | – | (150.7) | – | (8.1) | (35.8) | 1,649.3 |
| Total liabilities from financing activities | **1,870.3** | **–** | **(157.9)** | **–** | **(7.8)** | **(35.8)** | **1,668.8** |
| Derivatives held to hedge interest bearing liabilities | (287.0) | – | – | – | 233.6 | 40.6 | (12.8) |
| Debt after hedging | **1,583.3** | **–** | **(157.9)** | **–** | **225.8** | **4.8** | **1,656.0** |

# Notes to the Consolidated Financial Statements: **Capital structure**

For the year ended 30 September 2021

| 30 September 2020 | 1 October 2019 $mill | Cash flow: Proceeds from borrowings $mill | Cash flow: Repayments of borrowings $mill | Non-cash changes: Acquisition of Subsidiaries $mill | Non-cash changes: Reclassification $mill | Non-cash changes: Foreign exchange movement $mill | Non-cash changes: Funding costs & fair value adjustments $mill | 30 September 2020 $mill |
|---|---|---|---|---|---|---|---|---|
| **Current** | | | | | | | | |
| Other loans | 12.6 | – | (13.8) | 1.0 | 5.8 | (0.8) | – | 4.8 |
| Loans from joint ventures | 17.0 | 0.3 | – | – | – | (0.9) | – | 16.4 |
| Fixed interest rate bonds | 1,183.8 | – | (1,172.6) | – | – | (10.6) | (0.6) | – |
| **Non-current** | | | | | | | | |
| Other loans | 7.4 | – | – | 4.0 | (5.8) | (0.4) | – | 5.2 |
| Bank facilities | 293.0 | – | (301.2) | – | – | 5.4 | 2.8 | – |
| Fixed interest rate bonds | 1,142.6 | 722.7 | – | – | – | (59.4) | 38.0 | 1,843.9 |
| Total liabilities from financing activities | 2,656.4 | 723.0 | (1,487.6) | 5.0 | – | (66.7) | 40.2 | 1,870.3 |
| Derivatives held to hedge interest bearing liabilities | (388.6) | – | – | – | – | 136.5 | (34.9) | (287.0) |
| Debt after hedging | 2,267.8 | 723.0 | (1,487.6) | 5.0 | – | 69.8 | 5.3 | 1,583.3 |

*Interest rate profile*

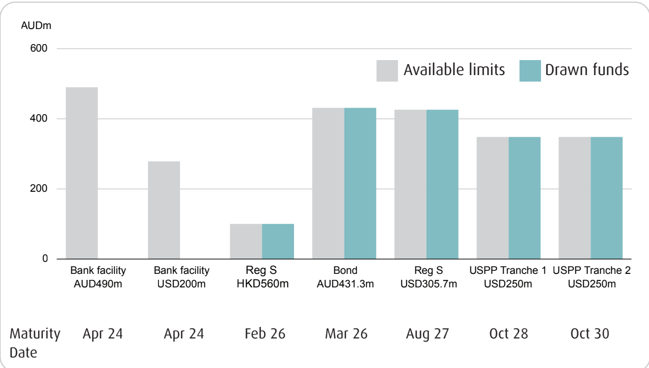
The table below summarises the Group's interest rate profile of its interest bearing liabilities, net of hedging, at 30 September:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Fixed interest rate financial instruments | **942.2** | 1,746.5 |
| Variable interest rate financial instruments | **726.6** | 123.8 |
| | **1,668.8** | 1,870.3 |

Detail on the Group's interest hedging profile and duration is included in note 17.

*Funding profile*

The graph below details the Group's available funding limits, its maturity dates and drawn funds at 30 September 2021:




The Group has undrawn financing facilities of $768.6m (2020: $974.0) at 30 September 2021.

## Cash and cash equivalents

Cash and cash equivalents at 30 September 2021 were $651.8m (2020: $554.6m) and consisted of cash at bank of $251.9m (2020: $105.1m) and short term investments of $399.9m (2020: $449.5m).

## Key accounting policies

*Interest bearing liabilities*

Interest bearing liabilities are initially recognised at fair value less any directly attributable borrowing costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest method, with any difference between cost and redemption value recognised in the profit or loss over the period of the borrowings.

The Group derecognises interest bearing liabilities when its obligation is discharged, cancelled or expires. Any gains and losses arising on derecognition are recognised in the profit or loss.

Interest bearing liabilities are classified as current liabilities, except for those liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the year end, which are classified as non-current.

*Cash and cash equivalents*

Cash includes cash at bank, cash on hand and short term investments, net of bank overdrafts.

*Borrowing costs*

Borrowing costs include interest on borrowings and the amortisation of premiums relating to borrowings.

Borrowing costs are expensed as incurred, unless they relate to qualifying assets (refer note 9). In this instance, the borrowing costs are capitalised and depreciated over the asset's expected useful life.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## 9. Property, plant and equipment

| | Notes | Freehold land and buildings $mill | Machinery, plant and equipment $mill | Work in progress $mill | Total $mill |
|---|---|---|---|---|---|
| **At 30 September 2019** | | | | | |
| Cost | | 1,047.2 | 5,248.7 | 196.8 | 6,492.7 |
| Accumulated depreciation | | (329.2) | (1,973.5) | – | (2,302.7) |
| Net book amount | | 718.0 | 3,275.2 | 196.8 | 4,190.0 |
| **Year ended 30 September 2020** | | | | | |
| Opening net book amount | | 718.0 | 3,275.2 | 196.8 | 4,190.0 |
| Additions | | 9.5 | – | 283.3 | 292.8 |
| Subsidiaries acquired | | 1.8 | 9.0 | 0.4 | 11.2 |
| Disposals | | (0.5) | (4.2) | (1.1) | (5.8) |
| Depreciation | (2) | (29.8) | (260.9) | – | (290.7) |
| Impairment of assets | (2) | (2.6) | (8.5) | (5.2) | (16.3) |
| Reclassification from work in progress | | 8.4 | 247.7 | (256.1) | – |
| Foreign exchange movement | | (16.8) | (88.5) | (4.2) | (109.5) |
| Closing net book amount | | 688.0 | 3,169.8 | 213.9 | 4,071.7 |
| **At 30 September 2020** | | | | | |
| Cost | | 1,040.7 | 5,335.2 | 213.9 | 6,589.8 |
| Accumulated depreciation | | (352.7) | (2,165.4) | – | (2,518.1) |
| Net book amount | | 688.0 | 3,169.8 | 213.9 | 4,071.7 |
| **Year ended 30 September 2021** | | | | | |
| Opening net book amount | | **688.0** | **3,169.8** | **213.9** | **4,071.7** |
| Additions | | **2.3** | **2.2** | **377.8** | **382.3** |
| Disposals | | **(1.1)** | **(4.3)** | **–** | **(5.4)** |
| Depreciation | (2) | **(28.4)** | **(274.6)** | **–** | **(303.0)** |
| Impairment of assets | (2) | **–** | **(213.1)** | **–** | **(213.1)** |
| Reclassification from work in progress | | **26.9** | **331.0** | **(357.9)** | **–** |
| Foreign exchange movement | | **(0.3)** | **(5.2)** | **1.9** | **(3.6)** |
| Closing net book amount | | **687.4** | **3,005.8** | **235.7** | **3,928.9** |
| **At 30 September 2021** | | | | | |
| Cost | | **1,067.3** | **4,860.0** | **235.7** | **6,163.0** |
| Accumulated depreciation | | **(379.9)** | **(1,854.2)** | **–** | **(2,234.1)** |
| Net book amount | | **687.4** | **3,005.8** | **235.7** | **3,928.9** |

### Key accounting policies

Property, plant and equipment is measured at cost, less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Borrowing costs in relation to the funding of qualifying assets are capitalised and included in the cost of the asset. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. Where funds are borrowed, generally a weighted average interest rate is used for the capitalisation of interest.

Property, plant and equipment is subject to impairment testing. For details of impairment of assets, refer note 12.

*Depreciation*

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis. Freehold land is not depreciated. Depreciation rates are calculated to spread the cost of the asset (less any residual value), over its estimated useful life. Residual value is the estimated value of the asset at the end of its useful life.

Estimated useful lives for each class of asset are as follows:

- Buildings and improvements 20 – 50 years
- Machinery, plant and equipment 3 – 50 years

Residual values and useful lives are reviewed and adjusted where relevant when changes in circumstances impact the use of the asset.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## 10. Leases

The Group has lease contracts for various items of property, plant and equipment used within its operations and office premises. These assets have lease terms ranging between 1 to 48 years for land and buildings, and 1 to 8 years for machinery, plant and equipment.

The carrying value of right-of-use lease assets and lease liabilities is presented below:

### Right-of-use lease assets

| | Notes | Land and buildings $mill | Machinery, plant and equipment $mill | Total $mill |
|---|---|---|---|---|
| **Year ended 30 September 2020** | | | | |
| Opening net book amount | | – | – | – |
| *Adoption of AASB 16 Leases* | | 156.1 | 59.9 | 216.0 |
| Additions | | 28.0 | 22.4 | 50.4 |
| Disposals | | (0.4) | (0.8) | (1.2) |
| Depreciation | (2) | (17.7) | (23.0) | (40.7) |
| Foreign exchange movement | | (0.9) | (2.5) | (3.4) |
| Closing net book amount | | 165.1 | 56.0 | 221.1 |
| **At 30 September 2020** | | | | |
| Cost | | 180.6 | 76.4 | 257.0 |
| Accumulated depreciation | | (15.5) | (20.4) | (35.9) |
| Net book amount | | 165.1 | 56.0 | 221.1 |
| **Year ended 30 September 2021** | | | | |
| Opening net book amount | | **165.1** | **56.0** | **221.1** |
| Additions | | **15.8** | **22.1** | **37.9** |
| Disposals | | **(1.1)** | **(0.5)** | **(1.6)** |
| Depreciation | (2) | **(19.7)** | **(22.8)** | **(42.5)** |
| Foreign exchange movement | | **(0.1)** | **(0.3)** | **(0.4)** |
| Closing net book amount | | **160.0** | **54.5** | **214.5** |
| **At 30 September 2021** | | | | |
| Cost | | **192.2** | **93.1** | **285.3** |
| Accumulated depreciation | | **(32.2)** | **(38.6)** | **(70.8)** |
| Net book amount | | **160.0** | **54.5** | **214.5** |

### Lease liabilities

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Opening carrying amount at 1 October | **247.7** | – |
| Adoption of AASB 16 *Leases* | **–** | 243.7 |
| Additions | **37.9** | 50.4 |
| Disposals | **(1.4)** | (0.7) |
| Payments made during the year | **(47.0)** | (47.8) |
| Interest unwind | **5.6** | 5.9 |
| Foreign exchange movement | **(0.3)** | (3.8) |
| Carrying amount at 30 September | **242.5** | 247.7 |
| Current | **45.0** | 41.5 |
| Non-current | **197.5** | 206.2 |

Refer to note 17 for the maturity profile of the Group's committed lease liabilities before discounting.

### Amounts recognised in the income statement

Amounts recognised in the income statement relating to the Group's lease arrangements are as follows:

| | Notes | **2021 $mill** | 2020 $mill |
|---|---|---|---|
| Depreciation | (2) | **42.5** | 40.7 |
| Interest | (2) | **5.6** | 5.9 |
| Total | | **48.1** | 46.6 |

### Key accounting policies

All leases except for short term or low value leases are recognised on the balance sheet as a right-of-use asset and a corresponding lease liability. Short term (12 months or less) and low value leases are recognised in the profit or loss as a lease expense.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight line basis in the profit or loss over the lease term.

Lease liabilities are recognised by the Group at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments and variable lease payments that depend on an index or rate.

### Key estimates and judgments

*Extension options* - The Group considers whether an option to extend a lease is reasonably certain on a lease-by-lease basis, which considers the importance of the lease to the Group's operations and its economic incentive to extend the lease. The lease term is reassessed upon the occurrence of a significant event or change in circumstance.

*Incremental borrowing rate* – To calculate the present value of lease payments, the Group uses an incremental borrowing rate at the commencement date of the lease. The incremental borrowing rate reflects the duration and the financing characteristics of the lease. Where the interest rate implicit in the lease is not readily available, the Group uses its incremental borrowing rate applicable to a portfolio of leases with reasonably similar characteristics.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## 11. Intangibles

| | Notes | Software $mill | Goodwill $mill | Patents, trademarks & customer contracts $mill | Brand names $mill | Total $mill |
|---|---|---|---|---|---|---|
| **At 30 September 2019** | | | | | | |
| Cost | | 166.2 | 2,724.5 | 309.9 | 318.5 | 3,519.1 |
| Accumulated amortisation | | (98.6) | – | (241.0) | – | (339.6) |
| Net book amount | | 67.6 | 2,724.5 | 68.9 | 318.5 | 3,179.5 |
| **Year ended 30 September 2020** | | | | | | |
| Opening net book amount | | 67.6 | 2,724.5 | 68.9 | 318.5 | 3,179.5 |
| Additions | | 11.7 | – | – | – | 11.7 |
| Subsidiaries acquired | | – | 1.9 | 1.6 | – | 3.5 |
| Impairment of assets | (2) | (41.0) | – | – | – | (41.0) |
| Amortisation | (2) | (6.7) | – | (17.9) | – | (24.6) |
| Foreign exchange movement | | (3.8) | (88.3) | (2.3) | (15.0) | (109.4) |
| Closing net book amount | | 27.8 | 2,638.1 | 50.3 | 303.5 | 3,019.7 |
| **At 30 September 2020** | | | | | | |
| Cost | | 129.8 | 2,638.1 | 298.5 | 303.5 | 3,369.9 |
| Accumulated amortisation | | (102.0) | – | (248.2) | – | (350.2) |
| Net book amount | | 27.8 | 2,638.1 | 50.3 | 303.5 | 3,019.7 |
| **Year ended 30 September 2021** | | | | | | |
| Opening net book amount | | **27.8** | **2,638.1** | **50.3** | **303.5** | **3,019.7** |
| Additions | | **6.5** | **4.6** | **0.8** | **–** | **11.9** |
| Amortisation | (2) | **(7.0)** | **–** | **(16.0)** | **–** | **(23.0)** |
| Foreign exchange movement | | **0.2** | **(5.9)** | **(0.8)** | **(1.2)** | **(7.7)** |
| Closing net book amount | | **27.5** | **2,636.8** | **34.3** | **302.3** | **3,000.9** |
| **At 30 September 2021** | | | | | | |
| Cost | | **107.1** | **2,636.8** | **298.4** | **302.3** | **3,344.6** |
| Accumulated amortisation | | **(79.6)** | **–** | **(264.1)** | **–** | **(343.7)** |
| Net book amount | | **27.5** | **2,636.8** | **34.3** | **302.3** | **3,000.9** |

### Allocation of indefinite life intangible assets

The Group's indefinite life intangible assets are allocated to groups of cash generating units (**CGU**s) as follows:

| **30 September 2021** | Goodwill $mill | Brand names $mill | Total $mill |
|---|---|---|---|
| Fertilisers APAC | **186.4** | **–** | **186.4** |
| Dyno Nobel Asia Pacific (**DNAP**) | **908.5** | **40.3** | **948.8** |
| Dyno Nobel Americas (**DNA**) | **1,541.9** | **262.0** | **1,803.9** |
| | **2,636.8** | **302.3** | **2,939.1** |

| **30 September 2020** | Goodwill $mill | Brand names $mill | Total $mill |
|---|---|---|---|
| Fertilisers APAC | 186.4 | – | 186.4 |
| Dyno Nobel Asia Pacific (**DNAP**) | 908.5 | 40.3 | 948.8 |
| Dyno Nobel Americas (**DNA**) | 1,543.2 | 263.2 | 1,806.4 |
| | 2,638.1 | 303.5 | 2,941.6 |

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## Key accounting policies

*Goodwill*

Goodwill on acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired.

*Brand names*

Brand names acquired by the Group have indefinite useful lives and are measured at cost less accumulated impairment. They are tested annually for impairment, or more frequently if events or circumstances indicate that they might be impaired.

*Other intangible assets*

Other intangible assets acquired by the Group have finite lives.

They are stated at cost less accumulated amortisation and impairment losses.

*Subsequent expenditure*

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits of the asset to which it relates. All other such expenditure is expensed as incurred.

*Amortisation*

Goodwill and brand names are not amortised.

For intangible assets with finite lives, amortisation is recognised in the profit or loss on a straight-line basis over their estimated useful life. The estimated useful lives of intangible assets in this category are as follows:

- Software 3 – 10 years
- Product trademarks 4 – 10 years
- Patents 13 – 15 years
- Customer contracts 10 – 17 years

Useful lives are reviewed at each reporting date and adjusted where relevant.

# 12. Impairment of goodwill and non-current assets

## Impairment testing of goodwill

The Group performs annual impairment testing as at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed for indicators of impairment of all the Group's assets, including operating assets.

Since 30 September 2020, the Group announced the impact of the extension of turnaround activities and one-off outages at some of its US manufacturing facilities. In addition, the Group is actively managing the risks arising from COVID-19. To date there are no known significant long term structural changes that affect the future cash flows of the CGUs as a result of these events. As a result, the recoverable amounts of IPL's CGUs continued to exceed their carrying amounts at 30 September 2021.

## Impairment testing of assets

*DNA Cheyenne manufacturing plant*

The further structural decline in thermal coal markets has been identified as an indicator of impairment that impacts DNA's Cheyenne manufacturing plant, and specifically the nitric acid production utilisation rates. The future reconfiguration of the plant to reduce Nitric acid production capacity in line with lower market volumes, resulted in an impairment of $107.4m.

*Gibson Island*

IPL was unable to secure an economically viable long-term gas supply for its Gibson Island plant beyond its current contract. As a result, IPL decided to cease manufacturing operations at the site at the end of the current gas supply arrangements which expire in December 2022. IPL's Brisbane fertiliser distribution capability will continue beyond the closure of the manufacturing operations.

The financial impact of the closure of the manufacturing operations are as follows:

- Cash costs of closure: $83.5m (pre-tax);
- Non-cash impairment of assets: $102.5m.

## Key assumptions

Details of the key assumptions used in the recoverable amount calculations at 30 September are set out below:

| Key assumptions | 1 – 5 years | | Terminal value (after 5 years) | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **US$** | US$ | **US$** | US$ |
| DAP(1) | **427 to 541** | 330 to 441 | **520** | 510 |
| Gas (DNA CGU)(2) | **3.00 to 3.50** | 2.46 to 2.95 | **3.50** | 3.21 |
| Ammonia(3) | **356 to 480** | 252 to 315 | **454** | 435 |
| AUD:USD(4) | **0.74 to 0.76** | 0.73 to 0.74 | **0.74** | 0.72 |

(1) Di-Ammonium Phosphate price (FOB Tampa – USD per tonne).
(2) Henry Hub natural gas price (USD per mmbtu).
(3) Ammonia price (CFR Tampa – USD per tonne).
(4) AUD:USD exchange rate.

For both DNAP and Fertilisers APAC, the gas price assumption for impairment testing purposes for the period after the current gas contracts expire, is based on external long term gas production cost forecasts of between $6.90 and $8.00 per gigajoule.

Fertiliser prices, foreign exchange rates and natural gas prices are estimated by reference to external market publications and market analyst estimates, and are updated at each reporting date.

*Discount and growth rates*

The post-tax discount rate used in the calculations is 9% for the Fertilisers APAC CGU (2020: 9%) and 8.5% for the DNA and DNAP CGUs (2020: 8.5%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks.

The terminal value growth rate represents the forecast consumer price index (CPI) of 2.5% (2020: 2.5%) for all CGUs. Sensitivity analyses on the discount and growth rates, considering the current volatile market conditions, are provided below.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

*Sensitivity analyses*

Included in the table below is a sensitivity analysis of the recoverable amounts of the CGUs and, where applicable, the impairment charge considering reasonable change scenarios relating to key assumptions at 30 September 2021.

Each of the sensitivities below assumes that a specific assumption moves in isolation, while all other assumptions are held constant. A change in one assumption could be accompanied by a change in another assumption, which may increase or decrease the net impact.

| | Post-tax discount rate | Terminal value growth rate | Natural gas price |
|---|---|---|---|
| | +0.5% | -1.0% | +AU$1 per gigajoule |
| **DNAP** | **AU$mill** | **AU$mill** | **AU$mill** |
| Change in recoverable amount | (194.5) | (295.3) | (61.7) |
| Impairment charge | – | (55.4) | – |

| | Post-tax discount rate | Ammonia price | Terminal value growth rate | Natural gas price |
|---|---|---|---|---|
| | +0.5% | -US$50 per tonne | -1.0% | +US$1 per mmbtu |
| **DNA** | **US$mill** | **US$mill** | **US$mill** | **US$mill** |
| Change in recoverable amount | (319.7) | (391.0) | (486.5) | (268.2) |
| Impairment charge | – | – | – | – |

| | Post-tax discount rate | AUD:USD exchange rate | Terminal value growth rate | DAP Price | Natural gas price |
|---|---|---|---|---|---|
| | +0.5% | +5c | -1.0% | -US$50 per tonne | +AUD1 per gigajoule |
| **Fertilisers APAC** | **AU$mill** | **AU$mill** | **AU$mill** | **AU$mill** | **AU$mill** |
| Change in recoverable amount | (110.2) | (360.9) | (154.2) | (629.5) | (45.4) |
| Impairment charge | – | – | – | – | – |

## Impairment of other property, plant and equipment

During the year ended 30 September 2021 other property, plant and equipment was impaired by $3.2m (2020: $16.3m) as a result of the Group's fixed asset verification procedures and the abandonment of certain assets following a strategic review of the Group's operating assets.

## Key accounting policies

*Impairment testing*

The Group performs annual impairment testing as at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed for indicators of impairment of all the Group's assets, including operating assets. The identification of impairment indicators involves management judgment. Where an indicator of impairment is identified, a formal impairment assessment is performed. The Group's annual impairment testing determines whether the recoverable amount of a CGU or group of CGUs, to which goodwill and/or indefinite life intangible assets are allocated, exceeds its carrying amount.

A CGU is the smallest identifiable group of assets that generate cash flows largely independent of cash flows of other groups of assets. Goodwill and other indefinite life intangible assets are allocated to CGUs or groups of CGUs which are no larger than one of the Group's reportable segments.

*Determining the recoverable amount*

The recoverable amount of an asset is determined as the higher of its fair value less cost of disposal and its value-in-use. Value-in-use is a term that means an asset's value based on the expected future cash flows arising from its continued use in its current condition, discounted to present value. For discounting purposes, a post-tax rate is used that reflects current market assessments of the risks specific to the asset. The Group has prepared value-in-use models for the purpose of impairment testing as at 30 September 2021, using five year discounted cash flow models based on Board approved forecasts. Cash flows beyond the five year period are extrapolated using a terminal value growth rate.

Transition of the world's energy systems and sustainability forms part of our strategy and these have been considered in the market data utilised to assess growth rates for each CGU.

*Impairment losses*

An impairment loss is recognised whenever the carrying amount of an asset (or its CGU) exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in respect of CGUs are allocated against assets in the following order:

» Firstly, against the carrying amount of any goodwill allocated to the CGU.

» Secondly, against the carrying amount of any remaining assets in the CGU.

An impairment loss recognised in a prior period for an asset (or its CGU) other than goodwill may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset (or its CGU) since the last impairment loss was recognised. When this is the case, the carrying amount of the asset (or its CGU) is increased to its recoverable amount.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## Key estimates and judgments

The Group is required to make significant estimates and judgments in determining whether the carrying amount of its assets and/or CGUs has any indication of impairment, in particular in relation to:

- key assumptions used in forecasting future cash flows;
- discount rates applied to those cash flows; and
- the expected long term growth in cash flows.

Such estimates and judgments are subject to change as a result of changing economic, operational, environmental and weather conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

## 13. Commitments

*Capital expenditure commitments*

Capital expenditure contracted but not provided for or payable at 30 September:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| No later than one year | **39.1** | 68.9 |
| | **39.1** | 68.9 |

## 14. Equity accounted investments

The Group has performed an analysis of the statements of financial position and the results of each of its joint ventures and associates (as listed in note 15) at 30 September 2021 and considers them to be individually immaterial to the Group. As a result, no individual disclosures are included for the Group's investments in joint ventures and associates.

Included in the table below is the summarised financial information of the Group's joint ventures and associates at 30 September:

**Carrying amount of joint ventures and associates**

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Carrying amount at 1 October | **326.3** | 357.7 |
| Share of net profit | **41.9** | 32.3 |
| Share in joint venture transferred to controlled entities | **–** | (6.1) |
| Dividends received | **(44.6)** | (30.9) |
| Foreign exchange movement | **1.2** | (26.7) |
| **Carrying amount at 30 September** | **324.8** | 326.3 |
| **Carrying amount of investments in:** | | |
| Joint ventures | **250.0** | 254.5 |
| Associates | **74.8** | 71.8 |
| **Carrying amount of investments in joint ventures and associates** | **324.8** | 326.3 |

**Transactions between subsidiaries of the Group and joint ventures and associates**

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Sales of goods/services | **348.9** | 391.1 |
| Purchase of goods/services | **(53.2)** | (55.6) |
| Management fees/royalties | **29.5** | 27.3 |
| Interest income | **–** | 0.3 |
| Interest expense | **(0.4)** | (0.4) |
| Dividend income | **44.6** | 30.9 |

Joint ventures and associates transactions represent amounts that do not eliminate on consolidation.

**Outstanding balances arising from transactions with joint ventures and associates**

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Amounts owing to related parties | **6.4** | 3.1 |
| Amounts owing from related parties | **72.1** | 59.7 |
| **Loans with joint ventures and associates** | | |
| Loans to joint ventures and associates | **–** | 19.9 |
| Loans from joint ventures and associates | **16.6** | 16.4 |

Outstanding balances arising from transactions with joint ventures and associates are on standard market terms.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## 15. Investments in subsidiaries, joint arrangements and associates

The following list includes the Group's principal operating subsidiaries and subsidiaries that are party to the Deed of Cross Guarantee dated 30 September 2008. Other than as noted below, there were no changes in the Group's existing shareholdings in its subsidiaries, joint ventures and associates in the financial year.

### Subsidiaries

| Name of entity | Ownership interest |
|---|---|
| **Company** | |
| Incitec Pivot Limited [1] | |
| **Controlled Entities – operating** | |
| **Incorporated in Australia** | |
| Incitec Fertilizers Pty Limited [1] | 100% |
| TOP Australia Pty Limited [1] | 100% |
| Southern Cross Fertilisers Pty Ltd [1] | 100% |
| Southern Cross International Pty Ltd [1] | 100% |
| Incitec Pivot LTI Plan Company Pty Limited | 100% |
| Incitec Pivot Explosives Holdings Pty Limited [1] | 100% |
| Queensland Operations Pty Limited | 100% |
| Incitec Pivot Investments 1 Pty Ltd [1] | 100% |
| Incitec Pivot Investments 2 Pty Ltd | 100% |
| Incitec Pivot US Holdings Pty Ltd | 100% |
| Incitec Pivot Finance Australia Pty Ltd [1] | 100% |
| Dyno Nobel Pty Limited | 100% |
| Dyno Nobel Europe Pty Ltd | 100% |
| Dyno Nobel Management Pty Limited | 100% |
| Industrial Investments Australia Finance Pty Limited | 100% |
| Dyno Nobel Asia Pacific Pty Limited [1] | 100% |
| Dampier Nitrogen Pty Ltd | 100% |
| DNX Australia Pty Ltd [1] | 100% |
| Dyno Nobel Moranbah Pty Ltd [1] | 100% |
| Dyno Nobel Moura Pty Limited [1] | 100% |
| Incited Pivot Queensland Gas Pty Ltd | 100% |
| **Incorporated in USA** | |
| Incitec Pivot US Investments | 100% |
| Incitec Pivot Management LLC | 100% |
| Incitec Pivot Finance LLC | 100% |
| Dyno Nobel Australia LLC | 100% |
| Dyno Nobel SPS LLC | 100% |
| Dyno Nobel Holdings IV LLC | 100% |
| Dyno Nobel Holdings USA III, Inc. | 100% |
| Dyno Nobel Holdings USA II | 100% |
| Dyno Nobel Holdings USA II, Inc. | 100% |
| Dyno Nobel Holdings USA, Inc. | 100% |
| Dyno Nobel Inc. | 100% |
| Dyno Nobel Transportation Inc. | 100% |
| Simsbury Hopmeadow Street LLC | 100% |
| Dyno Nobel Holdings V LLC | 100% |
| Tradestar Corporation | 100% |
| CMMPM, LLC | 100% |
| CMMPM Holdings L.P. | 100% |
| Dyno Nobel Louisiana Ammonia, LLC | 100% |
| Nobel Labs, LLC | 100% |
| Mine Equipment & Mill Supply Company | 100% |
| Controlled Explosives, Inc. | 100% |
| Drisk Insurance Inc. | 100% |
| Falconi Construction, Inc | 100% |
| Alpha Dyno Nobel | 100% |

| Name of entity | Ownership interest |
|---|---|
| **Controlled Entities – operating (continued)** | |
| **Incorporated in Canada** | |
| Dyno Nobel Canada Inc. | 100% |
| Dyno Nobel Transportation Canada Inc. | 100% |
| Dyno Nobel Nunavut Inc. | 100% |
| Incitec Pivot Finance Canada Inc. | 100% |
| Polar Explosives 2000 Inc. | 100% |
| Dene Dyno Nobel (Polar) Inc. | 100% |
| Dyno Nobel Waggaman Inc. | 100% |
| **Incorporated in Hong Kong** | |
| Incitec Pivot Holdings (Hong Kong) Limited | 100% |
| Quantum Fertilisers Limited | 100% |
| **Incorporated in Singapore** | |
| Coltivi Insurance Pte Ltd | 100% |
| **Incorporated in Chile** | |
| Dyno Nobel Explosivos Chile Limitada | 100% |
| **Incorporated in Peru** | |
| Dyno Nobel Peru S.A. | 100% |
| **Incorporated in Mexico** | |
| Dyno Nobel Mexico, S.A. de C.V. [2] | 99% |
| **Incorporated in Papua New Guinea** | |
| DNX Papua New Guinea Ltd [2] | 100% |
| **Incorporated in Indonesia** | |
| PT DNX Indonesia | 100% |
| **Incorporated in Turkey** | |
| Nitromak Dnx Kimya Sanayii Anonim Şirketi | 100% |
| **Incorporated in Romania** | |
| RomNitro Explosives SRL | 100% |
| **Incorporated in Albania** | |
| Nitro Industria Kimike Shpk | 100% |

(1) A party to Deed of Cross Guarantee dated 30 September 2008.

(2) This entity has a 31 December financial year end.

# Notes to the Consolidated Financial Statements: **Capital investment**

For the year ended 30 September 2021

## Joint arrangements and associates

| Name of entity | Ownership interest |
|---|---|
| **Joint ventures** | |
| **Incorporated in USA** | |
| Buckley Powder Co. [(1)] | 51% |
| IRECO Midwest Inc. | 50% |
| Wampum Hardware Co. | 50% |
| Western Explosives Systems Company | 50% |
| Warex Corporation | 50% |
| Warex, LLC | 50% |
| Warex Transportation, LLC | 50% |
| Vedco Holdings, Inc. | 50% |
| Virginia Explosives & Drilling Company, Inc. | 50% |
| Austin Sales LLC | 50% |
| Virginia Drilling Company, LLC | 50% |
| DetNet Americas, Inc. | 50% |
| **Incorporated in Canada** | |
| Qaaqtuq Dyno Nobel Inc. [(2)] | 49% |
| Dene Dyno Nobel (DWEI) Inc. [(3)] | 49% |
| **Incorporated in Australia** | |
| Queensland Nitrates Pty Ltd | 50% |
| Queensland Nitrates Management Pty Ltd | 50% |
| **Incorporated in South Africa** | |
| DetNet South Africa (Pty) Ltd | 50% |
| Sasol Dyno Nobel (Pty) Ltd | 50% |
| **Incorporated in Mexico** | |
| DNEX Mexico, S. de R.L. de C.V. | 49% |
| Explosivos de la Region Lagunera, S.A. de C.V. | 49% |
| Explosivos de la Region Central, S.A. de C.V. | 49% |
| Nitro Explosivos de Ciudad Guzmán, S.A. de C.V. | 49% |
| Explosivos y Servicios Para la Construcción, S.A. de C.V. | 49% |

| Name of entity | Ownership interest |
|---|---|
| **Associates** | |
| **Incorporated in USA** | |
| Maine Drilling and Blasting Group | 49% |
| Independent Explosives | 49% |
| Maine Drilling and Blasting, Inc. | 49% |
| MD & B, Inc. | 49% |
| MD Drilling and Blasting, Inc. | 49% |
| **Incorporated in Canada** | |
| Labrador Maskuau Ashini Ltd | 49% |
| Innu Namesu Ltd | 49% |

**Joint operations**

IPL has a 50% interest in an unincorporated joint operation with Central Petroleum Limited for the development of gas acreage in Queensland, Australia, which commenced in the 2018 financial year.

(1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50 percent, this entity is not considered to be a subsidiary.

(2) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of shares in Qaaqtuq Dyno Nobel Inc. However, under the joint venture agreement, the Group is entitled to 75 percent of the profit of Qaaqtuq Dyno Nobel Inc.

(3) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of shares in Dene Dyno Nobel (DWEI) Inc. However, under the joint venture agreement, the Group is entitled to 100 percent of the profit of Dene Dyno Nobel (DWEI) Inc.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

## 16. Provisions and contingencies

Provisions at 30 September 2021 are analysed as follows:

| 30 September 2021 | Employee entitlements $mill | Restructuring and rationalisation $mill | Environmental $mill | Asset retirement obligations $mill | Legal and other $mill | Total provisions $mill |
|---|---|---|---|---|---|---|
| Carrying amount at 1 October 2020 | 62.9 | 28.1 | 41.1 | 92.5 | 3.2 | 227.8 |
| Provisions made during the year | 7.7 | 83.5 | 4.1 | 12.5 | 0.5 | 108.3 |
| Provisions written back during the year | (1.0) | – | – | – | – | (1.0) |
| Payments made during the year | (6.3) | (19.1) | (4.2) | (0.6) | – | (30.2) |
| Interest unwind | 0.6 | 0.1 | 1.1 | 3.6 | – | 5.4 |
| Foreign exchange movement | – | (0.5) | 0.1 | 0.4 | – | – |
| Carrying amount at 30 September 2021 | 63.9 | 92.1 | 42.2 | 108.4 | 3.7 | 310.3 |
| Current | 59.1 | 17.3 | 20.2 | 1.0 | 3.7 | 101.3 |
| Non-current | 4.8 | 74.8 | 22.0 | 107.4 | – | 209.0 |

### Key accounting policies

Provisions are measured at management's estimate of the expenditure required to settle the obligation. This estimate is based on a "present value" calculation, which involves the application of a discount rate to the expected future cash flows associated with settlement. The discount rate takes into account factors such as risks specific to the liability and the time value of money.

*Employee entitlements*

Provisions are made for liabilities to employees for annual leave, long service leave and other employee entitlements. Where the payment to employees is expected to take place in 12 months time or later, a present value calculation is performed. In this instance, the corporate bond rate is used to discount the liability to its present value.

*Restructuring and rationalisation*

Provisions for restructuring or rationalisation are only recognised when a detailed plan has been approved and the restructuring or rationalisation has either commenced or been publicly announced.

*Environmental*

Provisions relating to the remediation of soil, groundwater, untreated waste and other environmental contamination are made when the Group has an obligation to carry out the clean-up operation as a result of a past event. In addition, a provision will only be made where it is possible to reliably estimate the costs involved.

*Asset retirement*

In certain circumstances, the Group has an obligation to dismantle and remove an asset and to restore the site on which it is located. The present value of the estimated costs of this process is recognised as part of the asset that is depreciated and also as a provision.

At each reporting date, the provision is remeasured in line with changes in discount rates and the timing and amount of future estimated cash flows. Any changes in the provision are added to or deducted from the related asset, other than changes associated with the passage of time. This is recognised as a borrowing cost in the profit or loss.

*Legal and other*

There are a number of legal claims and other exposures, including claims for damages arising from products and services supplied by the Group, that arise from the ordinary course of business. A provision is only made where it is probable that a payment or restitution will be required and the costs involved can be reliably estimated.

### Key estimates and judgments

Provisions are based on the Group's estimate of the timing and value of outflows of resources required to settle or satisfy commitments and liabilities known to the Group at the reporting date.

### Contingencies

The following contingent liabilities are considered unlikely. However the directors consider they should be disclosed:

» Under the terms of the ASIC Legislative Instrument, *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, issued by the Australian Securities and Investments Commission dated 17 December 2016, which relieved certain wholly-owned subsidiaries from the requirement to prepare audited financial statements, IPL and certain wholly-owned subsidiaries (identified in note 15) have entered into an approved deed for the cross guarantee of liabilities. No additional liabilities subject to the Deed of Cross Guarantee at 30 September 2021 are expected to arise to IPL or the relevant subsidiaries.

» The Group is regularly subject to investigations and audit activities by the revenue authorities of jurisdictions in which the Group operates. The outcome of these investigations and audits depends upon several factors which may result in further tax payments or refunds of tax payments already made by the Group over and above existing provisions. Refer to note 3 for further details.

» Contingent liabilities arise in the normal course of business and include a number of legal claims, environmental cleanup requirements and bank guarantees.

The Directors are of the opinion that no additional provisions are required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

## 17. Financial risk management

The Group is exposed to financial risks including liquidity risk, market risk and credit risk. This note explains the Group's financial risk exposures and its objectives, policies and processes for measuring and managing these risks.

The Board of Directors (the **Board**) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Audit and Risk Management Committee (**ARMC**) which is responsible for, amongst other things, the monitoring of the Group's risk management plans. The ARMC is assisted in its oversight role by the Group's Risk Management function. The Risk Management function performs reviews of the Group's risk management controls and procedures, the results of which are reported to the ARMC. The ARMC reports regularly to the Board on its activities.

The Group's financial risk management framework includes policies to identify, analyse and manage the Group's financial risks. These policies set appropriate financial risk limits and controls, identify permitted derivative instruments and provide guidance on how to monitor and report financial risks and adherence to set limits. Financial risk management policies, procedures and systems are reviewed regularly to ensure they remain appropriate given changes in market conditions and/or the Group's activities.

### Financial risks

**Liquidity risk:** The risk that the Group is not able to refinance its debt obligations or meet other cash outflow obligations when required.

*Source of risk*

Exposure to liquidity risk derives from the Group's operations and from the external interest bearing liabilities that it holds.

*Risk mitigation*

Liquidity risk is managed by ensuring there are sufficient committed funding facilities available to meet the Group's financial commitments in a timely manner.

The Group's forecast liquidity requirements are continually reassessed based on regular forecasting of earnings and capital requirements. This includes stress testing of critical assumptions such as input costs, sales prices, production volumes, exchange rates and capital expenditure.

The Group aims to hold a minimum liquidity buffer of at least $500m in undrawn non-current committed funding to meet any unforeseen cash flow requirements. Details on the Group's committed finance facilities, including the maturity dates of these facilities, are included in note 8.

Outstanding financial instruments

The Group's exposures to liquidity risk are set out in the tables below:

| **30 September 2021** | **Contractual cash flows(1) $mill** | **0 – 12 months $mill** | **1 – 5 years $mill** | **more than 5 years $mill** |
|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | |
| Interest bearing liabilities | **1,668.8** | **18.8** | **531.8** | **1,118.2** |
| Interest payments | **462.8** | **55.0** | **286.0** | **121.8** |
| Trade and other payables | **1,250.3** | **1,229.3** | **21.0** | **–** |
| Lease liabilities | **223.0** | **44.6** | **87.2** | **91.2** |
| Bank guarantees | **127.5** | **22.7** | **23.8** | **81.0** |
| **Total non-derivative cash outflows** | **3,732.4** | **1,370.4** | **949.8** | **1,412.2** |
| **Derivative financial (assets)/liabilities** | | | | |
| Forward exchange contracts | **(25.6)** | **(13.1)** | **(12.5)** | **–** |
| Foreign exchange options | **7.9** | **7.9** | **–** | **–** |
| Cross currency interest rate swaps | **0.6** | **(0.8)** | **1.4** | **–** |
| Interest rate swaps | **17.1** | **3.5** | **11.9** | **1.7** |
| Commodity swaps | **7.1** | **7.1** | **–** | **–** |
| Commodity options | **–** | **–** | **–** | **–** |
| **Net derivative cash outflows/(inflows)** | **7.1** | **4.6** | **0.8** | **1.7** |

| 30 September 2020 | Contractual cash flows(1) $mill | 0 – 12 months $mill | 1 – 5 years $mill | more than 5 years $mill |
|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | |
| Interest bearing liabilities | 1,870.3 | 21.2 | 4.0 | 1,845.1 |
| Interest payments | 541.4 | 55.3 | 299.3 | 186.8 |
| Trade and other payables | 1,065.6 | 1,049.4 | 16.2 | – |
| Lease liabilities | 235.4 | 41.1 | 95.8 | 98.5 |
| Bank guarantees | 134.2 | 43.5 | 10.0 | 80.7 |
| **Total non-derivative cash outflows** | 3,846.9 | 1,210.5 | 425.3 | 2,211.1 |
| **Derivative financial (assets)/liabilities** | | | | |
| Forward exchange contracts | 61.1 | 61.1 | – | – |
| Foreign exchange options | – | – | – | – |
| Cross currency interest rate swaps | (48.0) | (46.8) | – | (1.2) |
| Interest rate swaps | 17.2 | 13.4 | 18.0 | (14.2) |
| Commodity swaps | (3.2) | (3.1) | (0.1) | – |
| Commodity options | 0.1 | 0.1 | – | – |
| **Net derivative cash outflows/(inflows)** | 27.2 | 24.7 | 17.9 | (15.4) |

(1) Contractual cash flows are not discounted, and are based on foreign exchange rates at year end. Any subsequent movements in foreign exchange rates could impact the actual cash flows on settlement of these assets and liabilities.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

**Market risk:** The risk that changes in foreign exchange rates, interest rates and commodity prices will affect the Group's earnings, cash flows and the carrying values of its financial instruments.

## Foreign exchange risk

*Source of risk*

The Group is exposed to changes in foreign exchange rates (primarily in USD) on the following transactions and balances:

» Sales and purchases
» Trade receivables and trade payables
» Interest bearing liabilities

The Group is also exposed to foreign exchange movements (primarily in USD) on the translation of the earnings, assets and liabilities of its foreign operations.

*Risk mitigation*

Foreign exchange exposure to sales and purchases is managed by entering into formal hedging arrangements.

The Group hedges both specific transactions and net exposures by entering into foreign exchange rate derivative contracts.

The translation risk of USD denominated interest bearing liabilities and net investments in foreign operations and their earnings is also managed by entering into foreign exchange rate derivative financial instruments.

### Outstanding financial instruments and sensitivity analysis

The table below summarises the Group's exposure to movements in the AUD:USD exchange rate and the derivative financial instruments that are in place to hedge these exposures at 30 September:

| | **2021 USD mill** | 2020 USD mill |
|---|---|---|
| **Transactional exposures** | | |
| Trade and other receivables | **0.4** | 5.8 |
| Trade and other payables | **(376.2)** | (378.5) |
| Interest bearing liabilities | **–** | (1,200.0) |
| **Gross exposure (before hedging)** | **(375.8)** | (1,572.7) |
| **Hedge of transactional exposures** | | |
| *Trade and other payables* | | |
| Forward exchange contracts | **372.1** | 352.3 |
| *Interest bearing liabilities* | | |
| Forward exchange contracts | **–** | 1,200.0 |
| **Total hedge contract values** | **372.1** | 1,552.3 |
| **Net exposure (after hedging)** | **(3.7)** | (20.4) |

| | **2021 USD mill** | 2020 USD mill |
|---|---|---|
| **Hedge of forecast sales and purchases** | | |
| Forward exchange contracts | **(139.3)** | (138.8) |
| Cross currency interest rate swaps | **(151.6)** | – |
| Foreign exchange options | **(400.0)** | (300.0) |
| **Total hedge contract values** | **(690.9)** | (438.8) |

| | **2021 USD mill** | 2020 USD mill |
|---|---|---|
| **Translational exposures** | | |
| Net investment in foreign operations | **2,195.7** | 2,520.4 |
| **Gross exposure (before hedging)** | **2,195.7** | 2,520.4 |
| **Hedge of translational exposures** | | |
| Cross currency interest rate swaps | **(251.4)** | (373.0) |
| Forward exchange contracts | **–** | (930.0) |
| Interest bearing liabilities | **(500.0)** | – |
| **Total hedge contract values** | **(751.4)** | (1,303.0) |
| **Net exposure (after hedging)** | **1,444.3** | 1,217.4 |

| **Foreign exchange options** | **Net contract amounts mill 2021** | **Strike[(1)] 2021** | Net contract amounts mill 2020 | Strike[(1)] 2020 |
|---|---|---|---|---|
| *Contracts maturing within 1 year* | | | | |
| Sold AUD Call | **–** | **–** | USD 60 | 0.78 |
| Bought AUD Call | **USD 400** | **0.81** | USD 300 | 0.74 |
| Sold AUD Put | **USD 89** | **0.77** | USD 160 | 0.71 |

(1) AUD:USD foreign exchange rate

## Foreign exchange rates

The AUD:USD foreign exchange rates used by the Group to translate its foreign denominated earnings, assets and liabilities are set out below:

| | **2021 AUD:USD** | 2020 AUD:USD |
|---|---|---|
| 30 September foreign exchange rate | **0.7180** | 0.7148 |
| Average foreign exchange rate for the year | **0.7521** | 0.6783 |

*Foreign exchange rate sensitivity on outstanding financial instruments*

The table below shows the impact of a 1 cent movement (net of hedging) in the AUD:USD exchange rate on the Group's profit and equity before tax in relation to foreign denominated assets and liabilities at 30 September:

| | **+ 1c AUD:USD AUD mill 2021** | **- 1c AUD:USD AUD mill 2021** | + 1c AUD:USD AUD mill 2020 | - 1c AUD:USD AUD mill 2020 |
|---|---|---|---|---|
| **Foreign exchange sensitivity – (net of hedging)** | | | | |
| Trade and other receivables and payables – (profit or loss) | **0.1** | **(0.1)** | 0.4 | (0.4) |
| Hedge of forecast transactions – (equity) | **7.3** | **(7.5)** | 8.5 | (8.7) |
| Investments in foreign operations – (equity) | **(27.6)** | **28.4** | (23.5) | 24.2 |

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

*Sensitivity to foreign exchange rate movements during the year (unhedged)*

The table below shows the impact of a 1 cent movement in the AUD:USD foreign exchange rate on the Group's profit before tax, in relation to sales and earnings during the year that were denominated in USD.

| | **+ 1c AUD:USD AUD mill 2021** | **- 1c AUD:USD AUD mill 2021** | + 1c AUD:USD AUD mill 2020 | - 1c AUD:USD AUD mill 2020 |
|---|---|---|---|---|
| USD Fertiliser sales from Australian plants | **(11.0)** | **11.3** | (7.8) | 8.1 |
| North American USD earnings | **(2.5)** | **2.5** | (3.3) | 3.4 |

The fertiliser sales sensitivity calculation is based on actual tonnes manufactured by the Australian fertiliser plants and sold during the year, the average AUD:USD exchange rate for the year, and the average USD fertiliser price.

The North American earnings translation sensitivity calculation is based on the earnings before interest and tax from the North American business for the year and the average AUD:USD exchange rate for the year.

## Market risk

### Interest rate risk

*Source of risk*

Exposure to interest rate risk is a result of the effect of changes in interest rates on the Group's outstanding interest bearing liabilities and derivative instruments.

*Risk mitigation*

The exposure to interest rate risk is mitigated by maintaining a mix of fixed and variable interest rate borrowings and by entering into interest rate derivative instruments.

#### Outstanding financial instruments and sensitivity analysis

The tables below include the Group's derivative contracts that are exposed to changes in interest rates at 30 September:

| **Interest rate swaps** | **Average pay/(rec) fixed rate LIBOR** | **Average pay/(rec) fixed rate BBSW** | **Average pay/(rec) fixed rate HIBOR** | **Duration (years)** | **Net contract amounts mill** |
|---|---|---|---|---|---|
| *2021* | | | | | |
| Less than 1 year | **2.00%** | **–** | **–** | **0.2** | **USD 50** |
| Less than 1 year | **(1.64%)** | **–** | **–** | **0.7** | **USD 600** |
| Less than 1 year | **–** | **(0.20%)** | **–** | **1.0** | **AUD 181** |
| 1 to 5 years | **–** | **(0.25%)** | **–** | **2.0** | **AUD 181** |
| 1 to 5 years | **2.36%** | **–** | **–** | **1.9** | **USD 550** |
| 1 to 5 years | **(0.52%)** | **–** | **–** | **3.1** | **USD 600** |
| 1 to 5 years | **–** | **–** | **(4.13%)** | **4.4** | **HKD 560** |
| Later than 5 years | **(2.02%)** | **–** | **–** | **6.2** | **USD 200** |
| *2020* | | | | | |
| Less than 1 year | 3.58% | – | – | 0.2 | USD 500 |
| 1 to 5 years | – | (0.20%) | – | 2.0 | AUD 200 |
| 1 to 5 years | 3.14% | – | – | 2.7 | USD 600 |
| 1 to 5 years | (1.70%) | – | – | 1.6 | USD 600 |
| Later than 5 years | (2.02%) | – | – | 6.2 | USD 200 |
| Later than 5 years | – | – | (4.13%) | 5.4 | HKD 560 |

*Interest rate sensitivity on outstanding financial instruments*

The following table shows the sensitivity of the Group's profit before tax to a 1 per cent change in interest rates. The sensitivity is calculated based on the Group's interest bearing liabilities and derivative financial instruments that are exposed to interest rate movements and the AUD:USD exchange rate at 30 September:

| **Interest rate sensitivity** | **+ 1% AUD mill 2021** | **- 1% AUD mill 2021** | + 1% AUD mill 2020 | - 1% AUD mill 2020 |
|---|---|---|---|---|
| LIBOR | **(7.7)** | **7.7** | (0.7) | 0.7 |
| BBSW | **0.7** | **(0.7)** | 0.1 | (0.1) |

The sensitivity above is also representative of the Group's interest rate exposures during the year.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021



## Market risk

### Commodity price risk

*Source of risk*

Exposure to changes in commodity prices is by virtue of the products that the Group sells and its manufacturing operations, and can be categorised into five main commodities, namely: Ammonia, Ammonium Nitrate, Ammonium Phosphate, Urea and Natural Gas.

*Risk mitigation*

Where possible, commodity price risk exposure is managed by entering into long term contracts with customers (i.e Ammonium Nitrate and Ammonia) or derivative contracts for input cost (i.e US natural gas). However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts by virtue of the products that the Group sells.

Outstanding financial instruments and sensitivity analysis

The table below includes the Group's derivative contracts that are exposed to changes in natural gas prices at 30 September:

| **Natural gas** | **Total volume (MMBTU)(1) 2021** | **Price/ Strike USD(2) 2021** | Total volume (MMBTU)(1) 2020 | Price/ Strike USD(2) 2020 |
|---|---|---|---|---|
| *Contracts maturing within 1 year* | | | | |
| Natural gas swaps fixed payer | **610,000** | **2.52** | 961,800 | 2.54 |
| Natural gas options | | | | |
| Bought Call | – | – | 5,150,000 | 3.44 |
| Sold Put | – | – | 5,150,000 | 2.56 |
| *Contracts maturing between 1 and 5 years* | | | | |
| Natural gas swaps fixed payer | **70,000** | **2.58** | 680,000 | 2.53 |

(1) Million Metric British Thermal Units
(2) Nymex Henry Hub gas price

*Natural gas price sensitivity on outstanding financial instruments*

The table below shows the sensitivity of the Group's equity before tax to a change of US$1 per MMBTU in the US Henry Hub natural gas price. The sensitivity is based on natural gas derivative contracts held by the Group at 30 September. Gains or losses recognised in equity will be reclassified to the profit or loss as the underlying forecast transaction occurs:

| **Natural gas price sensitivity** | **+ US$1 per 1 MMBTU AUD mill 2021** | **- US$1 per 1 MMBTU AUD mill 2021** | + US$1 per 1 MMBTU AUD mill 2020 | - US$1 per 1 MMBTU AUD mill 2020 |
|---|---|---|---|---|
| Henry Hub USD | **0.9** | **(0.9)** | 7.0 | (7.0) |

*Sensitivity to natural gas price movements during the year*

The table below shows the sensitivity of the Group's profit before tax to a change of US$1 per MMBTU in the US Henry Hub natural gas price. The sensitivity is based on the average natural gas price, the average AUD:USD exchange rate (excluding the impact of hedging) and the current annual natural gas consumption of the Group's manufacturing operations in the Americas that are exposed to changes in natural gas prices:

| **Natural gas price sensitivity** | **+ US$1 per 1 MMBTU AUD mill 2021** | **- US$1 per 1 MMBTU AUD mill 2021** | + US$1 per 1 MMBTU AUD mill 2020 | - US$1 per 1 MMBTU AUD mill 2020 |
|---|---|---|---|---|
| Henry Hub USD | **(16.7)** | **16.7** | (31.3) | 31.3 |

*Sensitivity to fertiliser price and ammonia movements during the year*

The table below shows the sensitivity of the Group's profit before tax to a US$10 per tonne change in Ammonium Phosphates, Urea and Ammonia prices. The sensitivity is based on actual tonnes manufactured and sold by the Group that is sensitive to commodity price changes and the average AUD:USD exchange rate (excluding the impact of hedging) for the year:

| **Price sensitivity** | **+ US$10 per tonne AUD mill** | **- US$10 per tonne AUD mill** |
|---|---|---|
| **2021** | | |
| Granular Urea (FOB Middle East) | **4.9** | **(4.9)** |
| DAP/MAP (FOB China/Saudi) | **12.6** | **(12.6)** |
| Urea (FOB NOLA) | **1.6** | **(1.6)** |
| Ammonia (FOB Tampa) | **4.2** | **(4.2)** |
| **2020** | | |
| Granular Urea (FOB Middle East) | 4.1 | (4.1) |
| DAP/MAP (FOB Tampa) | 14.4 | (14.4) |
| Urea (FOB NOLA) | 1.8 | (1.8) |
| Ammonia (FOB Tampa) | 8.9 | (8.9) |

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

Included in the table below are details of the Group's derivative instruments at 30 September 2021, classified by hedge accounting type and market risk category:

| | | Balance at 30 September 2021 | | | | During the period | |
|---|---|---|---|---|---|---|---|
| **30 September 2021** | **Note** | **Carrying amount of hedging instrument asset** | **Carrying amount of hedging instrument liability** | **Fair value hedge adjustment of hedged item** | **Balance of gains/ (losses) in reserves before tax** | **Gains/ (losses) recognised in reserves[1]** | **Reclassification of (gains)/ losses from reserves to profit or loss[1,5]** |
| *Cash flow hedges* | | | | | | | |
| Foreign exchange risk on forecast sales & purchases | | | | | | | |
| Forward exchange contracts | | **42.3** | **(16.8)** | **–** | **8.7** | **10.3** | **–** |
| Foreign exchange options | | **16.7** | **(24.4)** | | **(12.5)** | **(12.2)** | **–** |
| Cross currency interest rate swaps | | **0.8** | **–** | **–** | **(4.8)** | **(4.8)** | **–** |
| Discontinued hedge[2] | | **–** | **–** | **–** | **(7.9)** | **(17.7)** | **12.5** |
| Commodity price risk on forecast purchases | | | | | | | |
| Commodity swaps | | **1.9** | **(9.0)** | **–** | **(6.9)** | **(10.1)** | **–** |
| Commodity options | | **–** | **–** | **–** | **–** | **(0.4)** | **–** |
| Discontinued hedge[2] | | **–** | **–** | **–** | **(4.2)** | **2.4** | **(2.2)** |
| Interest rate risk on highly probable debt | | | | | | | |
| Interest rate swaps | | **0.1** | **(30.8)** | **–** | **8.8** | **28.6** | **–** |
| Cross currency interest rate swaps | | **0.1** | **–** | **–** | **0.1** | **–** | **–** |
| Discontinued hedge[2] | | **–** | **–** | **–** | **(68.5)** | **(16.9)** | **12.1** |
| **Total cash flow hedges** | | **61.9** | **(81.0)** | **–** | **(87.2)** | **(20.8)** | **22.4** |
| *Net investment hedges* | | | | | | | |
| Foreign exchange risk on foreign operation | | | | | | | |
| Cross currency interest rate swaps | | **–** | **(1.5)** | **–** | **(25.0)** | **(98.3)** | **–** |
| Forward exchange contracts | | **–** | **–** | **–** | **–** | **(90.5)** | **–** |
| Interest bearing liabilities | | **–** | **–** | **–** | **(49.4)** | **(49.4)** | **–** |
| Discontinued hedge[2] | | **–** | **–** | **–** | **(508.3)** | **263.5** | **–** |
| **Total net investment hedges** | | **–** | **(1.5)** | **–** | **(582.7)** | **25.3** | **–** |
| *Fair value hedges* | | | | | | | |
| Foreign exchange risk on HKD borrowings | | | | | | | |
| Cross currency interest rate swaps | | **0.1** | **–** | **–** | **–** | **–** | **–** |
| Interest rate risk on fixed USD, HKD and AUD bonds[3] | | | | | | | |
| Interest rate swaps | | **23.7** | **(10.7)** | **(7.8)** | **–** | **–** | **–** |
| Cross currency interest rate swaps | | **–** | **(0.3)** | **–** | **–** | **–** | **–** |
| Discontinued hedge | | **–** | **–** | **2.9** | **–** | **–** | **–** |
| **Total fair value hedges** | (8) | **23.8** | **(11.0)** | **(4.9)** | **–** | **–** | **–** |
| *Held for trading[4]* | | | | | | | |
| Cross currency interest rate swaps | | **0.3** | **–** | **–** | **–** | **–** | **–** |
| **Total held for trading** | | **0.3** | **–** | **–** | **–** | **–** | **–** |
| **Equity instruments** | | **3.0** | **–** | **–** | **(17.0)** | **–** | **–** |
| **Total net** | | **89.0** | **(93.5)** | **(4.9)** | **(686.9)** | **4.5** | **22.4** |

(1) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.

(2) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.

(3) Interest rate swap contracts effectively convert USD500m, AUD181m and HKD560m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.

(4) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.

(5) At 30 September 2021, there were no gains/losses that were transferred from reserves to profit or loss in relation to ineffective hedges.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

Included in the table below are details of the Group's derivative instruments at 30 September 2020, classified by hedge accounting type and market risk category:

| | | Balance at 30 September 2020 | | | | During the period | |
|---|---|---|---|---|---|---|---|
| **30 September 2020** | **Note** | **Carrying amount of hedging instrument asset(1)** | **Carrying amount of hedging instrument liability(1)** | **Fair value hedge adjustment of hedged item(8)** | **Balance of gains/ (losses) in reserves before tax** | **Gains/ (losses) recognised in reserves(2)** | **Reclassification of (gains)/ losses from reserves to profit or loss(2,7)** |
| *Cash flow hedges* | | | | | | | |
| Foreign exchange risk on forecast sales & purchases | | | | | | | |
| Forward exchange contracts | | 31.8 | (54.8) | – | (1.6) | (1.8) | – |
| Foreign exchange options | | 1.1 | – | – | (0.3) | (0.3) | – |
| Discontinued hedge(3) | | – | – | – | (2.7) | 16.3 | (20.7) |
| Commodity price risk on forecast purchases | | | | | | | |
| Commodity swaps | | 4.3 | (0.9) | – | 3.2 | 3.9 | – |
| Commodity options | | 0.5 | – | – | 0.4 | 0.4 | – |
| Discontinued hedge(3) | | – | – | – | (4.4) | (1.0) | 0.2 |
| Interest rate risk on highly probable debt | | | | | | | |
| Interest rate swaps | | 0.1 | (69.5) | – | (19.8) | 2.4 | – |
| Interest rate options | | – | – | – | – | 19.2 | – |
| Cross currency interest rate swaps | | 0.1 | – | – | 0.1 | (0.4) | – |
| Discontinued hedge(3) | | – | – | – | (63.7) | (43.0) | 1.5 |
| **Total cash flow hedges** | | 37.9 | (125.2) | – | (88.8) | (4.3) | (19.0) |
| *Net investment hedges* | | | | | | | |
| Foreign exchange risk on foreign operation | | | | | | | |
| Cross currency interest rate swaps | | 37.9 | – | – | 73.3 | 73.3 | – |
| Forward exchange contracts | | 75.3 | (339.0) | – | 90.5 | 90.5 | – |
| Discontinued hedge(3) | | – | – | – | (771.8) | (38.3) | – |
| **Total net investment hedges** | | 113.2 | (339.0) | – | (608.0) | 125.5 | – |
| *Fair value hedges* | | | | | | | |
| Foreign exchange risk on USD and HKD borrowings(4) | | | | | | | |
| Cross currency interest rate swaps | | 10.8 | (1.4) | – | – | – | – |
| Forward exchange contracts | | 300.9 | (75.3) | (245.5) | – | – | – |
| Interest rate risk on fixed USD, HKD and AUD bonds(5) | | | | | | | |
| Interest rate swaps | | 51.9 | – | (45.7) | – | – | – |
| Cross currency interest rate swaps | | 0.1 | – | – | – | – | – |
| Discontinued hedge | | – | – | 1.0 | – | – | – |
| **Total fair value hedges** | (8) | 363.7 | (76.7) | (290.2) | – | – | – |
| *Held for trading(6)* | | | | | | | |
| Forward exchange contracts | | 0.1 | (0.1) | – | – | – | – |
| Cross currency interest rate swaps | | 0.1 | – | – | – | – | – |
| **Total held for trading** | | 0.2 | (0.1) | – | – | – | – |
| **Offsetting contracts(1)** | | (382.1) | 382.1 | – | – | – | – |
| **Equity instruments** | | 3.0 | – | – | (17.0) | – | – |
| **Total net** | | 135.9 | (158.9) | (290.2) | (713.8) | 121.2 | (19.0) |

(1) Balances are included in other financial assets/liabilities in the Statement of Financial Position. Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position.

(2) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.

(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.

(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is $287.0m. The derivatives hedging the foreign currency exposure of the Group's USD and HKD borrowings have a contract value of USD1,200m and HKD560m, and are economic hedges of an equivalent amount of the Group's USD and HKD borrowings.

(5) Interest rate swap contracts effectively convert USD500m, HKD560m and AUD450m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.

(6) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.

(7) At 30 September 2020, there were no gains/losses that were transferred from reserves to profit or loss in relation to ineffective hedges.

(8) Fair value adjustment of hedged items includes the revaluation of debt that was refinanced during the year.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021

**Credit risk:** The risk of financial loss to the Group as a result of customers or counterparties to financial assets failing to meet their contractual obligations.

*Source of risk*

The Group is exposed to counterparty credit risk from trade and other receivables and financial instrument contracts that are outstanding at the reporting date.

*Risk mitigation*

The Group minimises the credit risk associated with trade and other receivables balances by undertaking transactions with a large number of customers in various countries.

The creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies. Credit limits are established and monitored for each customer, and these limits represent the highest level of exposure that a customer can reach. Trade credit insurance is purchased when required.

The Group mitigates credit risk from financial instrument contracts by only entering into transactions with counterparties that have sound credit ratings and, where applicable, with whom the Group has a signed netting agreement. Given their high credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

*Credit risk exposure*

The Group's maximum exposure to credit risk at 30 September is the carrying amount, net of any provision for impairment, of the financial assets as detailed in the table below:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Trade and other receivables | **517.0** | 400.8 |
| Cash and cash equivalents | **651.8** | 554.6 |
| Derivative assets | **86.0** | 132.9 |
| | **1,254.8** | 1,088.3 |

Financial assets and financial liabilities that are subject to enforceable master netting arrangements and are intended to be settled on a net basis are offset in the Statement of Financial Position. At 30 September 2021, the amount netted in other financial assets and other financial liabilities is nil (2020: $382.1m).

## Fair value

Fair value of the Group's financial assets and liabilities is calculated using a variety of techniques depending on the type of financial instrument as follows:

» The fair value of financial assets and financial liabilities traded in active markets (such as equity securities and fixed interest rate bonds) is the quoted market price at the reporting date.

» The fair value of financial assets and financial liabilities not traded in active markets is calculated using discounted cash flows. Future cash flows are calculated based on observable forward interest rates and foreign exchange rates.

» The fair value of forward exchange contracts, interest rate swaps, cross currency interest rate swaps, commodity swaps and forward contracts is calculated using discounted cash flows, reflecting the credit risk of various counterparties. Future cash flows are calculated based on the contract rate, observable forward interest rates and foreign exchange rates.

» The fair value of option contracts is calculated using the contract rates and observable market rates at the end of the reporting period, reflecting the credit risk of various counterparties. The valuation technique is consistent with the Black-Scholes methodology and utilises Monte Carlo simulations.

» The fair value of commodity swaps and commodity forward contracts is calculated using their quoted market price, where available. If a quoted market price is not available, then fair value is calculated using discounted cash flows. Future cash flows are estimated based on the difference between the contractual price and the current observable market price, reflecting the credit risk of various counterparties. These future cash flows are then discounted to present value.

» The nominal value less expected credit losses of trade receivables and payables are assumed to approximate their fair values due to their short term maturity.

*Fair value hierarchy*

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

» Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

» Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

» Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| **2021** | **Level 1 $mill** | **Level 2 $mill** | **Level 3 $mill** |
|---|---|---|---|
| Derivative financial assets | **–** | **86.0** | **–** |
| Derivative financial liabilities | **–** | **(93.5)** | **–** |
| Investment in Equity Instrument | **–** | **–** | **3.0** |

| 2020 | Level 1 $mill | Level 2 $mill | Level 3 $mill |
|---|---|---|---|
| Derivative financial assets | – | 132.9 | – |
| Derivative financial liabilities | – | (158.9) | – |
| Investment in Equity Instrument | – | – | 3.0 |

*Fair value of financial assets and liabilities carried at amortised cost*

Cash and cash equivalents, trade and other receivables, and trade and other payables are carried at amortised cost which equals their fair value.

Interest bearing liabilities are carried at amortised cost and have a carrying value of $1,668.8m (2020: $1,870.3m) – refer to note 8. The fair value of the interest bearing financial liabilities at 30 September 2021 was $1,763.5m (2020: $1,949.2m) and was based on the level 2 valuation methodology.

# Notes to the Consolidated Financial Statements: **Risk management**

For the year ended 30 September 2021



## Key accounting policies

*Foreign currency transactions and balances*

The Group presents its accounts in Australian dollars. Foreign currency transactions are translated into Australian dollars using the exchange rates at the date the transaction occurs.

Monetary assets (such as trade receivables) and liabilities (such as trade creditors) denominated in foreign currencies are translated into Australian dollars using the exchange rate at 30 September. Non-monetary items (for example, plant and machinery) that are measured at historical cost in a foreign currency are not re-translated.

Foreign exchange gains and losses relating to transactions are recognised in the profit or loss with the exception of gains and losses arising from cash flow hedges and net investment hedges that are recognised in other comprehensive income.

*Foreign operations*

The assets and liabilities of the Group's foreign operations are translated at applicable exchange rates at 30 September. Income and expense items are translated at the average exchange rates for the period.

Foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve (**FCTR**). If and when the Group disposes of the foreign operation, these gains and losses are transferred from the FCTR to the profit or loss.

*Derivatives and hedging*

The Group uses contracts known as derivative financial instruments to hedge its financial risk exposures.

On entering into a hedging relationship, the Group formally designates and documents details of the hedge, risk management objective and strategy for entering into the arrangement. The Group applies hedge accounting to hedging relationships that are expected to be highly effective in offsetting changes in fair value, i.e. where the cash flows arising from the hedge instrument closely match the cash flows arising from the hedged item.

Hedge accounting is discontinued when:

» The hedging relationship no longer meets the risk management objective.
» The hedging instrument expires or is sold, terminated or exercised.
» The hedge no longer qualifies for hedge accounting.

Derivatives are measured at fair value. The accounting treatment applied to specific types of hedges is set out below.

*Cash flow hedges*

Changes in the fair value of effective cash flow hedges are recognised in equity, in the cash flow hedge reserve. To the extent that the hedge is ineffective, changes in fair value are recognised in the profit or loss.

Fair value gains or losses accumulated in the reserve are taken to profit or loss when the hedged item affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in the reserve is transferred to the carrying amount of the asset when the asset is purchased.

*Net investment hedges*

Hedges of a net investment in a foreign operation are accounted for in a similar way as cash flow hedges. Gains or losses on the effective portion of the hedge are recognised directly in equity (in the FCTR) while any gains or losses relating to the ineffective portion are recognised in the profit or loss.

On disposal of the foreign operation, the cumulative value of gains or losses recognised in the FCTR are transferred to profit or loss.

*Fair value hedges*

The change in the fair value of the hedging instrument and the change in the hedged item are recognised in the profit or loss.

*Hedge ineffectiveness*

The Group aims to transact only highly effective hedge relationships, and in most cases the hedging instruments have a 1:1 hedge ratio with the hedged items. However, at times, some hedge ineffectiveness can arise and is recognised in profit or loss in the period in which it occurs. Key sources of hedge ineffectiveness for the Group are as follows:

» Maturity dates of hedging instruments not matching the maturity dates of the hedged items.
» Credit risk inherent within the hedging instrument not matching the movement in the hedged item.
» Interest rates of the Group's financing facilities not matching the interest rates of the hedging instrument.
» Forecast transactions not occurring.

*Classification of financial instruments*

Financial instruments are classified into the following categories:

» Amortised cost (cash and cash equivalents, interest bearing liabilities and trade and other receivables and payables).
» Fair value through other comprehensive income (listed equity securities).
» Fair value through profit or loss (derivative financial instruments except those that are in a designated hedge relationship).

# Notes to the Consolidated Financial Statements: **Other**

For the year ended 30 September 2021

## 18. Share-based payments

### Incentive Plans

The Long Term Incentive Plans (LTIs) are designed to link reward with the key performance drivers that underpin sustainable growth in shareholder value. With regard to the 2018/21, 2019/22 and 2020/23 LTIs, the performance conditions comprise relative total shareholder return, the delivery of certain long term value metrics and growth in return on equity for the LTI 2018/21 plan and absolute return on invested capital for the LTI 2019/22 and LTI 2020/23 plans.

Certain Executives have been awarded performance rights under Short Term Incentive Plans (STIs) based on financial, safety and strategic outcomes.

These arrangements support the Company's strategy for retention and motivation of its executives.

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | **2021 $mill** | 2020 $mill |
|---|---|---|
| Accounting value of performance rights issued under the LTI and STI performance plans | **3.2** | 2.4 |

| | **2021 Number** | 2020 Number |
|---|---|---|
| Number of performance rights outstanding under the LTI and STI performance plans | **6,285,054** | 5,082,644 |

Details of the movements in LTI and STI performance rights are disclosed in the Remuneration Report.

### Key accounting policies

The rights to shares granted to employees under the terms of the plans are measured at fair value. The fair value is recognised as an employee expense over the period that employees become unconditionally entitled to the rights. There is a corresponding increase in equity, which is reflected in the share based payments reserve.

The amount recognised as an expense is adjusted to reflect the actual number of rights taken up, once related service and other non-market conditions are met.

## 19. Key management personnel disclosures

### Key management personnel remuneration

| | **2021 $000** | 2020 $000 |
|---|---|---|
| Short-term employee benefits | **10,706** | 8,141 |
| Post-employment benefits | **144** | 163 |
| Other long-term benefits | **67** | 100 |
| Termination benefits | **183** | 468 |
| Share-based payments | **2,495** | 1,838 |
| | **13,595** | 10,710 |

Determination of key management personnel and detailed remuneration disclosures are provided in the Remuneration Report.

### Loans to key management personnel

In the year ended 30 September 2021, there were no loans to key management personnel and their related parties (2020: nil).

### Other key management personnel transactions

In the year ended 30 September 2021, there were no transactions entered into during the year with key management personnel (including their related parties).

# Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2021

## 20. Retirement benefit obligation

The Group operates a number of defined benefit plans in the Americas and Asia Pacific to provide benefits for employees and their dependants on retirement, disability or death.

The Group also makes contributions to defined contribution schemes.

### Financial position and performance

**Net defined benefit obligation at 30 September**

| | 2021 $mill | 2020 $mill |
|---|---|---|
| Present value of obligations | **307.2** | 321.9 |
| Fair value of plan assets | **(277.6)** | (255.0) |
| **Net defined benefit obligation** | **29.6** | 66.9 |

**Maturity profile of the net defined benefit obligation**

The expected maturity analysis of the undiscounted defined benefit obligation is as follows:

| | 2021 $mill | 2020 $mill |
|---|---|---|
| Within next 10 years | **200.3** | 207.2 |
| Within 10 to 20 years | **116.4** | 127.8 |
| In excess of 20 years | **43.0** | 41.8 |

**Return on plan assets for the year ended 30 September**

| | 2021 $mill | 2020 $mill |
|---|---|---|
| Actual return on plan assets | **33.9** | 15.1 |

**Composition of plan assets at 30 September**

| | 2021 | 2020 |
|---|---|---|
| The percentage invested in each asset class: | | |
| Equities | **8%** | 43% |
| Fixed interest securities | **85%** | 42% |
| Property | **3%** | 7% |
| Other | **4%** | 8% |

### Movements in plan assets/liabilities

**Amounts recognised in Other Comprehensive Income**

| | Notes | 2021 $mill | 2020 $mill |
|---|---|---|---|
| Gains/(losses) arising from changes in actuarial assumptions | | **1.9** | (16.2) |
| Return on plan assets greater than discount rate | | **28.9** | 7.2 |
| Total profit/(losses) recognised in other comprehensive income | | **30.8** | (9.0) |
| **Amounts recognised in Profit or Loss** | | | |
| Net interest expense | (2) | **(1.8)** | (1.4) |
| Defined benefit superannuation expense | (2) | **(2.7)** | (2.9) |

### Key assumptions and sensitivities

**Principal actuarial assumptions**

| | 2021 | 2020 |
|---|---|---|
| Discount rate (gross of tax) | **2.3% – 7.7%** | 2.0% – 6.9% |
| Future salary increases | **2.0% – 5.0%** | 2.0% – 5.0% |

**Sensitivity analysis**

The sensitivity analysis is based on a change in a significant actuarial assumption while holding all other assumptions constant. The following table summarises how the defined benefit obligation as at 30 September 2021 would have increased/(decreased) as a result of a change in the respective assumption by 1 percentage point:

| | 1 percent increase | 1 percent decrease |
|---|---|---|
| Discount rate | **(26.8)** | **32.2** |
| Rate of salary increase | **1.3** | **(1.2)** |

### Key accounting policies

All employees of the group are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from group companies and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the Consolidated Statement of Financial Position in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Statement of Financial Position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

### Key estimates and judgments

The present value of the defined benefit obligation at the reporting date is based on expected future payments arising from membership of the fund. This is calculated annually by independent actuaries considering the expected future wage and salary levels of employees, experience of employee departures and employee periods of service.

Expected future payments are discounted using market yields on corporate bonds at the reporting date, which have terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# Notes to the Consolidated Financial Statements: **Other**

For the year ended 30 September 2021

## 21. Deed of cross guarantee

Entities that are party to a Deed of Cross Guarantee are included in note 15. The Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position for this closed group are shown below:

### Statement of Profit or Loss and Other Comprehensive Income

| | 2021 $mill | 2020 $mill |
|---|---|---|
| Profit before income tax | 177.5 | 9.1 |
| Income tax benefit | 5.7 | 29.3 |
| **Profit for the year** | 183.2 | 38.4 |
| Retained profits at 1 October | 1,401.4 | 1,437.1 |
| Profit for the year | 183.2 | 38.4 |
| Other movements in retained earnings | 4.5 | (19.5) |
| Dividend paid | (19.4) | (54.6) |
| **Retained profits at 30 September** | 1,569.7 | 1,401.4 |

### Statement of Financial Position

| | 2021 $mill | 2020 $mill |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 566.4 | 495.0 |
| Trade and other receivables | 235.3 | 86.2 |
| Inventories | 385.3 | 294.3 |
| Other assets | 20.3 | 18.3 |
| Other financial assets | 64.6 | 76.6 |
| **Total current assets** | 1,271.9 | 970.4 |
| **Non-current assets** | | |
| Other financial assets | 5,045.4 | 5,063.1 |
| Property, plant and equipment | 2,066.0 | 2,159.9 |
| Right-of-use lease assets | 123.9 | 132.1 |
| Intangible assets | 240.2 | 246.2 |
| Deferred tax assets | 229.7 | 200.6 |
| **Total non-current assets** | 7,705.2 | 7,801.9 |
| **Total assets** | 8,977.1 | 8,772.3 |
| **Current liabilities** | | |
| Trade and other payables | 1,051.0 | 963.2 |
| Lease liabilities | 21.4 | 20.5 |
| Other financial liabilities | 52.9 | 93.2 |
| Provisions | 77.2 | 67.6 |
| Current tax liabilities | 82.4 | 16.8 |
| **Total current liabilities** | 1,284.9 | 1,161.3 |
| **Non-current liabilities** | | |
| Trade and other payables | 204.2 | 272.2 |
| Lease liabilities | 125.6 | 135.2 |
| Interest bearing liabilities | 1,236.4 | 1,290.6 |
| Other financial liabilities | 46.3 | 65.3 |
| Provisions | 165.4 | 84.4 |
| Deferred tax liabilities | 348.0 | 389.3 |
| Retirement benefit obligation | 17.0 | 26.8 |
| **Total non-current liabilities** | 2,142.9 | 2,263.8 |
| **Total liabilities** | 3,427.8 | 3,425.1 |
| **Net assets** | 5,549.3 | 5,347.2 |
| **Equity** | | |
| Issued capital | 3,806.2 | 3,806.2 |
| Reserves | 173.4 | 139.6 |
| Retained earnings | 1,569.7 | 1,401.4 |
| **Total equity** | 5,549.3 | 5,347.2 |

## 22. Parent entity disclosure

Throughout the financial year ended 30 September 2021 the parent company of the Group was Incitec Pivot Limited.

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity is part of a Deed of Cross Guarantee, under which each entity guarantees the debt of the others.

### Statement of Profit or Loss and Other Comprehensive Income

| **Results of the parent entity** | 2021 $mill | 2020 $mill |
|---|---|---|
| Profit for the year | 76.5 | 66.1 |
| Other comprehensive income | 10.3 | (23.8) |
| **Total comprehensive income for the year** | 86.8 | 42.3 |

#### Statement of Financial Position

| | 2021 $mill | 2020 $mill |
|---|---|---|
| Current assets | 930.2 | 538.3 |
| **Total assets** | 8,847.2 | 8,406.6 |
| Current liabilities | 1,003.7 | 779.2 |
| **Total liabilities** | 4,531.3 | 4,232.7 |
| **Net assets** | 4,315.9 | 4,173.9 |
| Share capital | 3,806.2 | 3,806.2 |
| Reserves | (72.4) | (153.1) |
| Retained earnings | 582.1 | 520.8 |
| **Total equity** | 4,315.9 | 4,173.9 |

#### Parent entity contingencies and commitments

Contingent liabilities of Incitec Pivot Limited are disclosed in note 16.

| **Capital expenditure – commitments** | 2021 $mill | 2020 $mill |
|---|---|---|
| Contracted but not yet provided for and payable: | | |
| Within one year | 6.5 | 2.4 |

### Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group. As a result it is taxed as a single entity. The head entity of the tax consolidated group is Incitec Pivot Limited.

# Notes to the Consolidated Financial Statements: **Other**

For the year ended 30 September 2021

## 23. Auditor's remuneration

| | **2021 $000** | 2020 $000 |
|---|---|---|
| **Deloitte and related network firms** | | |
| Audit or review of financial reports | | |
| Group | **1,218.5** | 1,183.1 |
| Subsidiaries and joint operations | **583.8** | 550.8 |
| | **1,802.3** | 1,733.9 |
| Other assurance and agreed-upon procedures under other legislation or contractual arrangements not required to be provided by the auditor | **70.4** | 40.0 |
| Other services: | | |
| Tax compliance services | – | 10.3 |
| | – | 10.3 |
| Total remuneration | **1,872.7** | 1,784.2 |
| **Non-Deloitte audit firms** | | |
| Audit services | **8.3** | 28.4 |
| Other non-audit services | – | 26.8 |
| Total remuneration of non-Deloitte audit firms | **8.3** | 55.2 |

From time to time, the auditors provide other services to the Group. These services are subject to strict corporate governance procedures which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve individual non audit engagements provided by the Group's auditor above a value of $100,000, as well as where the aggregate amount exceeds $250,000 per annum.

## 24. Events subsequent to reporting date

*Dividend*

In November 2021, the Board has determined to pay a final dividend for the Company of 8.3 cents per share,14% franked, to be paid on 16 December 2021. The record date for entitlement to this dividend is 2 December 2021. The total dividend payment will be $161.2m.

*Gibson Island manufacturing plant*

On 8 November 2021, IPL announced that manufacturing operations at Gibson Island will cease at the end of December 2022. Further details are provided in note 12.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since the end of the financial year, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

# Directors' Declaration

## on the Consolidated Financial Statements set out on pages 46 to 82

In accordance with a resolution of the directors of Incitec Pivot Limited (the **Company**), we state that:

1. In the opinion of the directors:

   (a) the consolidated financial statements and notes, set out on pages 46 to 82, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of the Company and the Group as at 30 September 2021 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed on page 52; and

   (c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in note 15 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3. The directors have been given the declaration by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001* for the financial year ended 30 September 2021.

**Brian Kruger**
Chairman

Melbourne, 15 November 2021

**Jeanne Johns**
Managing Director & CEO

Melbourne, 15 November 2021

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# Independent Auditor's Report to the members of Incitec Pivot Limited

## *Report on the Audit of the Financial Report*

*Opinion*

We have audited the financial report of Incitec Pivot Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 September 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 September 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company**,** would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
| --- | --- |
| **Gibson Island manufacturing plant closure**<br><br>*Refer to Note 2 Individually material items and Note 12 Impairment of goodwill and non-current assets*<br><br>The Group recorded material asset impairment write-downs and closure costs relating to the Gibson Island manufacturing plant.<br><br>The determination and recognition of the asset impairment write-downs and closure costs were subject to management's estimates and assumptions. | Our procedures included, but were not limited to:<br>• Understanding the relevant controls and process that management has undertaken to determine the asset impairment write-downs and closure costs<br>• Assessing and challenging the treatment of closure costs and impairment of Gibson Island assets by:<br>o Assessing management's estimation of closure costs by agreeing costs on a sample basis to external information, employment contracts and cost build-ups;<br>o Assessing whether the provisions were appropriately recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;* and<br>o Agreeing the carrying value of manufacturing plant assets impaired to the asset register at 30 September 2021.<br>• Assessing the appropriateness of the disclosures included in the Notes to the financial statements. |
| **Provisions for uncertain tax positions**<br><br>*Refer to Note 3 Taxation and Note 16 Provisions and contingencies*<br><br>The Group operates across a large number of jurisdictions and is subject to investigations and audit activities by revenue authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes and transaction related tax matters.<br><br>The outcomes of these investigations and audits depend upon several factors and as a result management exercise judgement in the determination of the tax position and the estimates and assumptions, including the probability of potential outcomes, in relation to the provision for taxes. | Our procedures included, but were not limited to:<br>• Understanding the relevant controls and process that management has undertaken to identify and assess uncertain tax positions, including the monitoring and consideration of guidance issued by regulatory authorities<br>• In conjunction with our tax specialists:<br>o Understanding the current status of tax assessments and investigations and the process to monitor developments in ongoing investigations and tax audit activities;<br>o Assessing how the Group has accounted for uncertain tax positions in accordance with IFRIC 23 *Uncertainty over income tax treatments*;<br>o Challenging the probabilities management has applied in determining the tax position and the estimates and assumptions in relation to the provision for taxes; and<br>o Reviewing recent rulings and correspondence with local tax authorities, to assess that the tax provisions have been appropriately recorded or adjusted to reflect the latest external developments.<br>• Assessing the appropriateness of the disclosures included in the Notes to the financial statements. |

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**Carrying value of goodwill and non-current assets**

*Refer to Note 2 Individually material items, Note 9 Property, plant and equipment, Note 11 Intangibles and Note 12 Impairment of goodwill and non-current assets*

As at 30 September 2021, the Group held goodwill of $2,636.8 million, intangible assets of $364.1 million and property, plant and equipment of $3,928.9 million, allocated to its group of cash generating units (CGUs).

The assessment of the recoverable amount is subject to a high level of judgement and is based on management's view of key variables and market conditions. The Group has prepared a value-in-use model to determine the recoverable amount of each CGU.

The Group's Dyno Nobel Asia Pacific ('DNAP') model is highly sensitive to changes in terminal value assumptions, including natural gas prices, commodity prices, terminal value growth rate and discount rate.

The Group also recorded material asset impairment write-downs relating to the Cheyenne plant during the current period which was subject to management's estimates and assumptions in relation determining the impairment amount.

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Our procedures included, but were not limited to:

- Understanding the relevant controls and process that management has undertaken to assess the recoverable amount
- In conjunction with our valuation specialists:
  - Evaluating the appropriateness of the model used by management to calculate the value-in-use of the CGUs and Cheyenne manufacturing assets.
  - Assessing and challenging the key inputs to the DNAP terminal value and Cheyenne impairment model by:
    - Corroborating the key independent market based assumptions built into the terminal value to external analysts' reports, published industry growth rates and industry reports;
    - Corroborating the key non-market based assumptions by comparing Board approved forecasts to historical performance to test the accuracy of management's projections;
    - Agreeing contracted volumes and pricing assumptions in the model to the Board approved forecasts;
    - Comparing the discount rates applied to the terminal value with an independently developed rate; and
    - Performing a range of sensitivity analysis on the terminal value with other assumptions including discount rates, natural gas prices, commodity prices and foreign exchange rates.
- Assessing the appropriateness of the disclosures included in the Notes to the financial statements.

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*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of the auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): About Us company information, Performance and Outlook, Sustainability, Corporate Governance and additional securities exchange information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 23 to 43 of the Director's Report for the year ended 30 September 2021.

In our opinion, the Remuneration Report of the Incitec Pivot Limited, for the year ended 30 September 2021, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Melbourne, 15 November 2021

T Ludeman

Terry Ludeman
Partner
Chartered Accountants
Melbourne, 15 November 2021