

Incitec Pivot Limited

Board Charter

Adopted by the Board on 21 August 2006

Incitec Pivot Limited
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INCITEC PIVOT LIMITED

BOARD CHARTER

1 INTRODUCTION

1.1 Derivation

The powers, duties and responsibilities of the Board are prescribed by the Corporations Act and the Constitution of the Company. The standards and conduct adopted by the Board will also reflect the standards for Corporate Governance practised amongst a substantial number of ASX 200 companies in Australia.

1.2 General

In carrying out its responsibilities and powers as set out in this Charter for the Company, and where appropriate for it and its subsidiaries (the **Group**), the Board will at all times recognise its overriding responsibility; that is, to act honestly, with integrity, diligently and in accordance with the law in serving the interests of Incitec Pivot Limited (**Incitec Pivot**), its shareholders, as well as its employees, customers and the community. It will promote and maintain an environment within Incitec Pivot that will establish these basic principles as guidelines for all of its employees and representatives at all times.

1.3 Purpose of Charter

This Charter sets out:

- (a) the role and responsibility of the Board;
- (b) the composition and operation of the Board; and
- (c) which of its responsibilities are delegated to Committees of the Board or to Management.

2 ROLE AND FUNCTIONS OF THE BOARD

2.1 Role of the Board

The Board's role is to:

- (a) chart the direction, policies, strategies and financial objectives for Incitec Pivot and monitor the implementation of those policies, strategies and financial objectives;
- (b) monitor compliance with regulatory requirements and ethical standards; and
- (c) appoint and review the performance of the Managing Director & Chief Executive Officer (**MD & CEO**).

2.2 Performance of the Board's Role

In performing its role, the Board should act at all times:

- (a) in a manner designed to create and continue to build sustainable value for shareholders; and

- (b) in accordance with the duties and obligations imposed upon directors by the constitution and the law.

2.3 Functions of the Board in Performing its Role

The main functions of the Board in carrying out its role are as follows:

- (a) keeping under review the general progress and longterm development of the Group in the light of the political, economic and social environments in which it operates;
- (b) determining the ethos of the Company and ensuring that the Group adheres to appropriate standards and values and that proper policies are developed and followed in relation to:
 - (i) compliance with laws;
 - (ii) safety, health and environmental matters; and
 - (iii) the reputation of the Company;
- (c) deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer appropriate;
- (d) controlling and monitoring the financial state (including fixed assets and intellectual property) and performance of the Group (including investment and finance plans), determining the desired financial ratios and approving the Group's budget;
- (e) defining the powers to be reserved to the Board and those to be delegated to the MD & CEO;
- (f) delegating clear responsibility and authority to the committees of the Board, the MD & CEO and directors or groups of directors, and monitoring and reviewing regularly the performance of its committees and the MD & CEO and others who hold delegated powers;
- (g) assisting the MD & CEO in the discharge of his/her responsibilities;
- (h) reviewing the Board's structure and performance from time to time and making decisions on new appointments to the Board;
- (i) giving approval or support, as appropriate, to the most senior appointments in the Group and ensuring that adequate career development, succession and remuneration arrangements exist for them; and
- (j) ensuring that proper policies are developed, adopted and followed in relation to corporate governance, monitoring changes in corporate governance practices and regulatory requirements, monitoring Incitec Pivot's code of ethics and ethical culture and overseeing preparation of the corporate governance statement in Incitec Pivot's annual report.

3 POWERS OF THE BOARD

In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- (a) appointment and termination of the MD & CEO and determination of his or her terms and conditions (including remuneration);
- (b) approval of appointment and termination of direct reports to the MD & CEO;
- (c) any matters in excess of powers that it may have from time to time delegated to the MD & CEO; and
- (d) approvals of each of the following:
 - (i) the corporate strategy, at least annually;
 - (ii) the budget, at least annually;
 - (iii) the remuneration and conditions of service including any financial incentives for any executive directors, the Chief Financial Officer, the Head of Internal Audit and the Company Secretary and all other direct reports to the MD & CEO, at least annually;
 - (iv) the balance of responsibilities between the chairman, MD & CEO and other directors, at least annually;
 - (v) significant changes to organisational structure and the appointment of such senior officers as the Board may determine;
 - (vi) the acquisition, establishment, disposal or cessation of any significant business of Incitec Pivot;
 - (vii) the issue of any shares, options, equity instruments or other securities in Incitec Pivot or its subsidiaries;
 - (viii) the making of any public statements which reflect significant issues of Incitec Pivot policy or strategy where such significant issues of policy or strategy have not been previously approved by the Board; and
 - (ix) any change to the powers delegated from the Board.

4 SPECIFIC RESPONSIBILITIES

4.1 The Board has specific responsibility to:

4.1.1 Strategy and Planning

- (a) Oversee the development of Incitec Pivot's corporate strategy through constructive engagement with management;
- (b) Review and approve Incitec Pivot's corporate strategies, strategic business plans, budgets and performance objectives; and
- (c) Monitor and assess management's performance in achieving any strategies, plans, budgets and performance objectives approved by the Board.

4.1.2 Oversight of Management

- (a) Appoint and, if appropriate, remove the MD & CEO;
- (b) Set criteria for, and evaluate at least annually, the performance of the MD & CEO;
- (c) Approve the appointment and termination of direct reports to the MD & CEO;
- (d) Approve remuneration policies and practices for the direct reports to the MD & CEO.
- (e) Monitor management's performance and implementation of strategy against measurable and qualitative indicators, encouraging effectiveness and ensuring that appropriate resources are available to do so;
- (f) Ensure management supplies the Board with information that will help the Board discharge its duties; and
- (g) Review on a regular and continuing basis:
 - (i) executive succession planning (and in particular the MD & CEO); and
 - (ii) executive career development activities.

4.1.3 Oversight of financial management and capital management

- (a) Determine that the Company accounts are true and fair in accordance with the Corporations Act 2001 (Cwlth);
- (b) Review and approve annual and half yearly financial reports;
- (c) Monitor Incitec Pivot's financial position and results on an ongoing basis;
- (d) Oversee Incitec Pivot's accounting and financial management systems;
- (e) Oversee Incitec Pivot's external and internal audit processes, including selecting and recommending any changes to Auditors as required at General Meetings and that the scope of the internal audit is adequate;
- (f) Review, approve and monitor the progress of major capital expenditure, capital management levels, major acquisitions and divestitures and material commitments;
- (g) Approve decisions affecting the capital structure of Incitec Pivot, including capital or restructures, capital returns, share buy-backs and major financing arrangements; and
- (h) Determine the distribution policy of Incitec Pivot and declare dividends.

4.1.4 Shareholders

- (a) Oversee effective communication with shareholders, including convening shareholder's meetings, and listening and responding to shareholder's views of management, the Board and Incitec Pivot;
- (b) Facilitate the effective exercise of shareholder's rights; and
- (c) Report to shareholders in accordance with regulatory requirements.

4.1.5 Other Stakeholders

- (a) Establish and maintain policies governing Incitec Pivot's relationships with other stakeholders (including employees, customers and suppliers) and the broader communities in which Incitec Pivot operates; and
- (b) Establish and maintain appropriate environmental, employment and occupational health and safety policies.

4.1.6 Ethics

- (a) Monitor and influence Incitec Pivot's culture and actively promote ethical and responsible decision making in Incitec Pivot;
- (b) Establish and maintain a code of conduct to guide its directors and management in the practices necessary to maintain confidence in Incitec Pivot's integrity; and
- (c) Establish and maintain a system of accountability for unethical practices.

4.1.7 Compliance and Risk Management

- (a) Oversee Incitec Pivot's internal control and accountability systems and reviewing reporting under those systems;
- (b) Establish, oversee and review systems for identifying, assessing, monitoring, and managing material risk through Incitec Pivot, and informing investors of material changes to Incitec Pivot's risk profile;
- (c) Establish, oversee and review systems of internal compliance, risk management and control, and systems of legal compliance that govern the operations of Incitec Pivot, and ensuring that they are operating effectively;
- (d) Oversee approvals in relation to related party transactions; and
- (e) Establish, oversee and review written policies, codes and procedures governing compliance, risk oversight and management.

5. ROLE AND RESPONSIBILITIES OF CHAIRMAN

5.1 Chairman

The Chairman is an independent and non-executive director appointed by the Board.

The Chairman must not be the same person as the MD & CEO.

The Board will identify an independent non-executive director to act as Chairman in the event that the Chairman is unable to so act for any reason.

The Chairman is responsible for:

- (a) ensuring that relevant issues are on the agenda and that directors receive timely, relevant information to enable them to be effective members;
- (b) leading the Board in Board matters;
- (c) chairing Board meetings and shareholder meetings;
- (d) monitoring the efficient organisation and conduct of the Board's functions;
- (e) briefing directors in relation to Board issues;
- (f) facilitating effective contribution by all directors and monitoring Board performance;
- (g) overseeing membership of the Board to ensure it is skilled and appropriate for Incitec Pivot's needs;
- (h) promoting constructive relations between Board members and between the Board and management;
- (i) ensuring that independent directors meet separately at least annually to consider, among other things, management's performance;
- (j) reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board;
- (k) recommending to the Board for consideration the functions and membership of committees of the Board;
- (l) establishing and overseeing implementation of policies and systems for Board performance review and renewal; and
- (m) promoting the interests of Incitec Pivot as a whole in relation to Incitec Pivot shareholders, governments, other public organisations, other companies and the public generally.

6. BOARD MEMBERSHIP

6.1 Composition and Size

The directors determine the size of the Board, subject to Incitec Pivot's constitution, which provides that there can be no less than 3 and no more than 9 directors. The number of directors and composition of the Board is

determined having regard to what is appropriate for Incitec Pivot to achieve efficient and prudent decision making.

The Board will consist of a majority of non-executive, independent directors. The Board will select one of its members to be Chairman and he/she must be an independent non-executive director.

Incitec Pivot aims to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues in the company's business. Incitec Pivot's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

6.2 Appointment and Re-election of Directors

The process of selection and appointment of new directors to the Board is that, when a vacancy arises, the Remuneration and Appointments Committee identifies candidates with appropriate skills, experience and expertise. Candidates with the skills, experience and expertise that best complement the Board's effectiveness will be recommended to the Board. When the Board considers that a suitable candidate has been found, that person is appointed by the Board to fill a casual vacancy in accordance with Incitec Pivot's constitution, but must stand for election by shareholders at the next annual general meeting.

Non-executive directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors participate in induction or orientation programs on appointment, and in any continuing education or training arranged for them.

Directors retire from office in accordance with the constitution of the Company. Retiring directors may be eligible for re-election.

Before each annual general meeting, the Chairman of the Board will assess the performance of any director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the director (in the absence of the director involved). The Board (excluding the Chairman), conducts the review of the Chairman.

6.3 Independence of Directors

The Board must implement structures and procedures to ensure that the Board operates independently of executive management. Appropriate independence measures include:

- (a) appointing an independent director as Chairman;
- (b) ensuring the Board comprises a number of independent non-executive directors determined by the Board as appropriate;
- (c) ensuring the roles of MD & CEO and Chairman are exercised by different people;
- (d) requiring the non-executive directors to meet at least annually for private discussion of management issues;

- (e) regular assessment of the independence of each director in light of any interest disclosed by them;
- (f) independent directors should be identified in the corporate governance section of the annual report;
- (g) the period of office of each director should be disclosed in the corporate governance section of the annual report;
- (h) develop a procedure agreed by the Board for a director to take independent professional advice, where necessary; and
- (i) agreeing as to the formal division of responsibilities between the MD & CEO and Chairman.

6.4 Independence

A director is considered independent by Incitec Pivot if the director is independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or be perceived to do so.

A director who:

- (a) is a substantial shareholder of Incitec Pivot or an officer of, or otherwise associated directly with, a substantial shareholder of Incitec Pivot;
- (b) within the last 3 years has been employed in an executive capacity by Incitec Pivot or another group member, or has been a director after ceasing to hold any such employment;
- (c) within the last 3 years, has been a principal of a material professional adviser or material consultant to Incitec Pivot or another group member or an employee materially associated with the service provided;
- (d) is a material supplier or customer of Incitec Pivot or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has a material contractual relationship with Incitec Pivot or another group member other than as a director or shareholder of Incitec Pivot;
- (f) has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Incitec Pivot; or
- (g) has any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of Incitec Pivot,

will not be independent, unless the Board is satisfied on reasonable grounds that the director is independent despite the existence of one or more of these circumstances.

The Board will regularly assess the independence of each director in light of the interests disclosed by them. Each independent director must provide the

Board with all relevant information for this purpose. The outcome of this assessment will be reflected in the corporate governance section of the annual report.

6.5 Conduct of Individual Directors

Directors must at all times act in accordance:

- (a) with legal and statutory requirements, and discharge all their duties as directors;
- (b) with the duties and obligations imposed upon them by any codes of conduct adopted by the Board from time to time.

Directors must:

- (a) discharge their duties in good faith and in the best interests of Incitec Pivot and for a proper purpose;
- (b) act with care and diligence, demonstrate commercial reasonableness in their decision making and with the level of skill and care expected of a director of a major company;
- (c) avoid conflicts of interest except in those circumstances permitted by the Corporations Act and the constitution;
- (d) not make improper use of information gained through their position as director;
- (e) not take improper advantage of their position as a director;
- (f) notify other directors of a material personal interest when a conflict arises;
- (g) make reasonable enquiries if relying on information or advice provided by others;
- (h) undertake any necessary inquiries in respect of delegates;
- (i) give Incitec Pivot or Australian Stock Exchange Limited all the information required by the Corporations Act, the Listing Rules and the constitution; and
- (j) not permit Incitec Pivot to engage in insolvent trading.

7 BOARD PROCESS

7.1 Meetings

All Board meetings will be conducted in accordance with Incitec Pivot's constitution and the Corporations Act.

Directors are committed to collective decision making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the directors. Individual directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.

All directors are generally expected to prepare adequately, attend and participate at each Board meeting. Non-executive directors will periodically meet without executive directors or management present.

The Board may request or invite management or external consultants to attend Board meetings, where necessary or desirable.

The Board may conduct meetings by telephone or video conference.

7.2 Independent Professional Advice

A director may, subject to the arrangements specified in (a) and (b) below, engage, at the Company's expense, professional advisers to advise the director on matters pertinent to company affairs, including the performance of the director's duties. A copy of any advice will be made available to the Board.

7.3 Consent to obtain advice

- (a) The director will seek the consent of the Chairman, and such consent will not be unreasonably withheld, provided that:
 - (i) the director notifies the Chairman of the circumstances and nature of professional advice required; and
 - (ii) the director first obtains an estimate of the adviser's fees and other expenses and the Chairman is satisfied that the estimate is reasonable given the nature of the advice being sought by the director; and
 - (iii) any liability on which advice is being sought did not arise from conduct which, in the reasonable opinion of the Chairman, would preclude the director from being indemnified against that liability by the Company under the Deed of Access and Indemnity.
- (b) In circumstances where the Chairman declines to give consent to the request, in accordance with (a) above, and the director considers that decision to be unreasonable, the director may refer the request to the Board.

7.4 Access to Management

The directors have complete and open access to management following consultation with the Chairman and MD & CEO.

8. DELEGATIONS

8.1 Delegation to Committees

Under Incitec Pivot's constitution, the Board may delegate any of its powers (including this power to delegate) to a committee of directors.

A committee must exercise the powers delegated in accordance with any directions of the directors and may:

- (a) investigate any activity within the terms of its specification;
- (b) following consultation with the Chairman and MD & CEO, obtain such information as it considers necessary from management; and
- (c) obtain external legal or other independent advice, as it considers necessary.

Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings. The Chairman of each committee will report back on committee meetings to the Board at the next full Board meeting.

There are currently three standing committees:

- Audit and Risk Management Committee
- Remuneration and Appointments Committee
- Governance Committee

Each standing committee established by the Board will adopt charters approved by the Board setting out the authority, responsibilities, membership and operation of the Committee.

8.2 Delegation to MD & CEO and Management

Under the Incitec Pivot constitution, the Board may also delegate any of its powers to any director, which includes the MD & CEO.

The Board has delegated to the MD & CEO the authority to manage the day to day affairs of Incitec Pivot and the authority to control the affairs of Incitec Pivot in relation to all matters other than those responsibilities reserved to the Board in this Board Charter.

The Board may impose further specific limits on MD & CEO delegations from time to time.

The authority delegated to the MD & CEO is set out in, and is subject to the limits in, the document titled “Delegated and Reserved Powers”.

9. SELF ASSESSMENT & REVIEW

9.1 Annual Performance Evaluation

The Board is to undertake an annual performance evaluation of itself that:

- (a) compares the performance of the Board with the requirements of the Charter;
- (b) sets forth the goals and objectives of the Board for the upcoming year; and
- (c) effects any improvement to the Charter deemed necessary or desirable.

9.2 Form of Performance Evaluation

The performance evaluation shall be in a manner as the Board deems appropriate.

9.3 Review from Time to Time

The Board is responsible for reviewing this Charter and the division of functions and responsibilities in Incitec Pivot to determine its appropriateness to the needs of Incitec Pivot from time to time.

10. AMENDMENT AND PUBLICATION

10.1 The Charter may be amended by resolution of the Board.

10.2 A summary of the Charter is to be made available on Incitec Pivot's website and the key features will be published in the annual report.

Approved by the Board on 21 August 2006