

Introduction

Nufarm's policies and procedures relating to the management and oversight of risk provide effective management of material risks at a level appropriate to Nufarm's global business, and have been framed in conjunction with a review of Principle 7 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

Risk Profile

Management reports to every Board Meeting include legal compliance, HS&E compliance and financial reporting. In addition, the Board annually at its strategy review meeting reviews the material risks faced by the Company; considers a report and presentation on risk related matters from senior management; and reviews the systems for identifying, monitoring and managing risks and internal reporting procedures. In so doing the Board considers the interest of all relevant stakeholders, and its obligations as required by Principle 7.2 of the ASX Corporate Governance Principles.

Roles and Accountabilities

Board

The Board is responsible for the implementation and oversight of the company's risk management system. The Board ensures that appropriate policies are in place to ensure compliance with risk management controls and requires management to monitor, manage and report on business risks.

Audit Committee

The Board has delegated the oversight of financial and treasury risk to the Audit Committee.

Remuneration and Nomination Committees

There has been no formal delegation of risk management to the Remuneration and Nomination Committees, however each committee will report to the Board on risk management issues within its area of responsibility.

The Remuneration Committee is charged with the responsibility to ensure remuneration packages attract, retain and motivate the calibre of executive required to successfully manage an international business in a highly competitive industry.

The Nomination Committee is charged with the responsibility to develop criteria for Board membership and establish processes to manage Board assessment processes and succession planning.

Management

The Managing Director and the company's senior management (Group General Managers (GGMs) who report directly to the Managing Director) are responsible for the management of material risks in their respective areas of responsibility.

At a minimum, the Board receives reports from the Company's Group General Managers at every scheduled Board meeting. These reports include relevant commentary on any material risk, and provide that, other than issues specifically raised within the report, all other areas of risk within the responsibility of the relevant Group General Manager are being monitored and appropriately managed.

At the Board's annual strategy review meeting, GGMs provide the Board with a report and assurance that all material risk are being effectively managed.

Internal Audit

The Audit Committee has approved a global risk management charter that specifies the responsibilities of the General Manager, Global Risk Management (which includes the Internal Audit function). The charter provides authority to conduct internal audits, risk reviews and system-based analyses of the internal controls in major business systems.

The General Manager, Global Risk Management reports directly to the Managing Director, and provides a written report of his activities at each meeting of the audit committee. In so doing he has continual access to the Chairman and members of the audit committee.

The internal audit function is independent of the external auditor.

Business Sustainability

Nufarm is strongly focused on its core crop protection business which provides important inputs to agriculture and crop production. A growing global population, increasing urbanisation and demand for a higher protein diet means farmers, on a world-wide basis, have greater incentives to produce bigger and healthier crops on a limited supply of arable land.

The Company is confident that demand for the crops using the Company's products will continue to grow. The legislative controls over manufacturing processes and the registration requirements for our products ensures their sustainability. A significant proportion of our agronomic research and development expenditure is designed to ensure the highest possible level of efficacy and safety in the use of our products. The Company is very satisfied with the long-term sustainability of its business.

Risk Management and Internal Controls

Nufarm's oversight of risk and risk management policies includes systems to manage material risk across all relevant activities within the company's global business. Examples of these risks include:

Financial Reporting, Accounting Policies, Treasury

The Company has exposure to specific financial risks – credit risk, liquidity risk, and market risk. The Company's Financial Statements provides information about the exposure to these risks, and the policies and processes to measure and manage such risks.

Risk management measures include comprehensive budgeting systems; detailed monthly management reporting; regular financial reporting to the Board against both

budget and updated forecasts; and comprehensive internal controls for treasury functions. Regionally based financial controllers retain full access to business unit performance and financial reporting systems. Cash flow issues arising from the seasonality of the company's business are specifically reviewed and managed.

The Company has a stated performance criterion of 10% profit growth objective over time. All business projects and capital expenditure proposals are reviewed in accordance with the company's EVA policy.

Occupational Health, Safety and Environment

Health, safety and environmental accountability is a key component of line management responsibility. Appropriate training is provided to support line management implementation of HS&E policies and safeguards. Regular internal and external audits are undertaken; HS&E performance is reported to the Board on a regular basis; and the Board receives a formal presentation on HS&E programs – including improvement targets – on an annual basis.

Freedom to Operate; Licences; and Product Registrations.

As a manufacturer, formulator and marketer of crop protection products, the Company has specific operating risks and the public perception of a chemical manufacturing company to manage.

Nufarm operates manufacturing facilities in many countries and complies with government and regulatory controls in relation to that activity. Management maintains appropriate contact with relevant authorities and implements programs of continuous improvement to ensure licenses and operating permits are secured and maintained.

The Company has dedicated research and development experts throughout its global operations, and invests substantial resources to ensure that the Company generates the data to secure and maintain product registration approval, and to manage issues relating to the safety and efficacy of the Company's products. In the USA for example, the company is a member of various "Task Forces" which generate data to maintain registrations of key molecules. These processes also ensure that appropriate use instructions and warnings are attached to all the Company's products.

Suppliers and Customers

Nufarm has long term relationships with many of its suppliers and customers with specific contractual agreements in place for critical areas of business risk. The Company maintains high service levels to key customers.

The approval of the Nufarm Board is required before changes can be made to some of the key business relationships, in particular banks, auditors and legal advisers.

Human Resources and Organisational Development

The company recognizes the risk associated with attracting, developing and retaining appropriately qualified and experienced employees. Training and development programs have been implemented to identify 'high potential' employees and to ensure succession plans are in place in relation to key management positions.

Company-wide surveys are conducted to secure feedback from employees on a range of matters relating to their employment conditions and general workplace satisfaction. The results of those surveys – and the resulting management plans to address the issues that are raised – are reported to the Board.

The Company operates an international Employee Global Share Plan which is valuable in the motivation of all staff.

Disaster Recovery and IT Security

Specific disaster recovery plans have been developed and tested to ensure information systems, communications, and other key operations can be maintained or recovered in the event of a crisis. Data is recorded and stored in secure off-site locations.

Insurance

The company has in place comprehensive insurance cover relating to all relevant areas of its global business including Property and Product liability insurance. The insurance program is regularly reviewed and related matters are reported to the Board.

Other

Risk management procedures have also been developed across a broad range of other company activities including legal compliance; ethical conduct; investment and capital allocation and stakeholder relations.

Nufarm's business is closely associated with agricultural activity and, as such, seasonal and climatic conditions pose a risk to the financial performance of the company. While policies and procedures cannot be put in place to directly manage those risks, they are mitigated by its broad geographic diversification and close attention to the management of working capital.