



# Annual General Meeting 2024 Yara International ASA

Proposal from shareholders and  
response from Board of Directors of  
Yara International ASA

## Item 13 for Yara International ASA Annual General Meeting 28 May 2024

### Proposal from shareholders on scope 3 emissions

Yara shareholders Fairshare Educational Foundation (ShareAction), Cardano Asset Management, Ethos Foundation, Greater Manchester Pension Fund and PGGM Investments have approached Yara and proposed the following resolution for consideration at the upcoming general meeting of shareholders:

*“Shareholders direct the company to publish science-based targets to reduce scope 3 greenhouse gas emissions over the short, medium, and long term, in line with the goal of limiting global warming to 1.5C, and to implement measures to reduce such emissions. Targets and measures should include upstream as well as downstream emissions and entail an absolute reduction in emissions. They should be disclosed before the next annual shareholder meeting in 2025.”*

### The shareholders’ supporting statement

The net-zero transition will come with numerous opportunities for Yara. Yara has taken important steps to realise these opportunities: the company has expanded its use of renewable energy, invested in key renewable technologies, and developed new sustainability-focused product lines.

Yet Yara's climate strategy is missing a key element: the company does not have comprehensive targets to reduce scope 3 emissions in the near and long term.

Scope 3 emissions are highly material for Yara, accounting for around 75 per cent of the company's carbon footprint.

Despite this, Yara does not have a net-zero target covering scope 3 emissions, and its near-term scope 3 targets are weak. Yara's 2030 target excludes upstream emissions, which account for 15 per cent of the company's total carbon footprint. On the downstream side, the target would entail only a modest (11.1 per cent) absolute reduction in emissions. Such limited reductions would make it challenging to achieve the steep long-term decline in fertiliser emissions which several recent 1.5C pathways for the sector have shown to be feasible by 2050, such as the 2022 study co-authored by the International Fertilizer Association and SystemIQ.

Yara also has a near-term intensity target which covers a portion of its upstream scope 3 emissions. The target is set to expire next year, and, according to company disclosures, is not expected to result in any reduction in absolute scope 3 emissions.

While Yara has said that it is committed to setting science-based targets across all scopes, the company has not provided a clear timeline for publishing additional targets, despite several years of engagement with concerned investors on the topic.

#### *Weak targets put Yara's reputation and business at risk*

As major food manufacturers and retailers in Yara's downstream value chain – including Nestle, Danone, and PepsiCo – set ambitious scope 3 targets, Yara will be expected to take rapid action to reduce emissions from the production and use of its fertilisers.

These companies' commitments will also cause low-emissions markets to grow in the coming decades.

Without a scope 3 reduction strategy, Yara could damage its brand image and sacrifice market share to more proactive peers.

*Proposed investments could materially increase upstream emissions*

At a time when Yara's emissions need to decline rapidly, Yara is considering investments in two new sites which could cause upstream emissions to rise. The sites, on the US Gulf Coast, will produce ammonia from fossil gas, capturing direct emissions but not resolving emissions from gas extraction and transportation.

Without upstream scope 3 targets, it is unclear whether and how Yara plans to address these emissions. These investments, by locking in dependence on fossil gas, also pose a long-term risk of asset stranding.

*Sector peers are setting upstream scope 3 targets*

While Yara's strategy for setting comprehensive targets remains unclear, chemical sector peers are beginning to set their own upstream scope 3 targets. Based on validated primary data from suppliers, these targets demonstrate that key challenges to upstream data collection are surmountable with rigorous supplier engagement strategies.

*SBTi will shortly provide guidance for chemical sector target-setting, including scope 3*

Later this year, the Science Based Targets initiative (SBTi) will release its guidance on target-setting in the chemical industry, setting out a harmonised standard and methodology for 1.5C-aligned targets in this sector. Yara has been a sponsor to SBTi's chemicals work and is contributing to the development of the guidance through its membership in the SBTi's Expert Advisory Group. There is no reason for Yara to delay further in setting a target once the guidance has been released.

*It is in Yara's best interest to set comprehensive emissions reduction targets*

By setting comprehensive, science-based scope 3 targets, Yara can reduce reputational and commercial risks to its business, capture emerging markets for low-carbon products, and ensure a smooth transition to net zero. Yara has already said that it will set comprehensive, 1.5C-aligned scope 3 targets; this resolution supports Yara to follow through on its commitment.

**Norsk versjon:**

Yaras aksjonærer Fairshare Educational Foundation (ShareAction), Cardano Asset Management, Ethos Foundation, Greater Manchester Pension Fund and PGGM Investments har henvendt seg til selskapet og fremsatt følgende forslag til vedtak for behandling i den forestående generalforsamlingen:

*«Aksjonærene instruerer selskapet om å publisere vitenskapsbaserte mål for å redusere scope 3 klimagassutslipp på kort, mellomlang og lang sikt, i tråd med målet om å begrense global oppvarming til 1,5C, og å implementere tiltak for å redusere slike utslipp. Mål og tiltak skal*

*inkludere både oppstrøms- og nedstrømsutslipp, og innebære en absolutt reduksjon i utslippene. De skal fremlegges før den neste ordinære generalforsamlingen i 2025.»*

### **Aksjonærenes støtteuttalelse**

Overgangen til netto nullutslipp vil medføre mange muligheter for Yara. Yara har allerede tatt viktige steg for å realisere disse mulighetene: selskapet har økt bruken av fornybar energi, investert i viktige fornybare teknologier, og utviklet nye produktlinjer med fokus på bærekraft.

Likevel mangler Yara sin klimastrategi et viktig element: selskapet har ikke omfattende mål for å redusere scope 3-utslipp på kort og lang sikt.

Scope 3-utslipp er svært viktige for Yara og utgjør rundt 75 prosent av selskapets karbonfotavtrykk.

Til tross for dette har ikke Yara et netto null-mål som dekker scope 3-utslipp, og dets kortsiktige scope 3-målene er svake. Yara sitt mål for 2030 ekskluderer oppstrømsutslipp, som utgjør 15 prosent av selskapets totale karbonfotavtrykk. For nedstrømsutslipp, ville målet bare innebære en beskjeden (11,1 prosent) absolutt reduksjon i utslippene. Slike begrensede reduksjoner vil gjøre det utfordrende å oppnå den bratte langsiktige nedgangen i gjødselutslipp som flere nylige 1,5C-veier for sektoren har vist å være mulige innen 2050, slik som studien fra 2022 som ble medforfattet av International Fertilizer Association og SystemIQ.

Yara har også et kortsiktig intensitetsmål som dekker en del av dets oppstrøms scope 3-utslipp. Målet løper ut neste år, og, i henhold til selskapets offentliggjøringer, er det ikke forventet å resultere i noen reduksjon i absolutt scope 3-utslipp.

Selv om Yara har uttalt at de er forpliktet til å sette vitenskapsbaserte mål for alle scope, har ikke selskapet gitt en klar tidsplan for publiseringen av ytterligere mål, til tross for flere år med interaksjon med bekymrede investorer om dette temaet.

#### *Svake mål setter Yara sitt omdømme og virksomhet i fare*

Når store matprodusenter og detaljister i Yara sin nedstrøms verdikjede – inkludert Nestle, Danone og PepsiCo – setter ambisiøse scope-3 mål, vil det forventes at Yara handler raskt for å redusere utslipp fra produksjon og bruk av gjødsel.

Disse selskapene sine forpliktelser vil også føre til vekst i lavutslippsmarkeder i de kommende tiårene.

Uten en strategi for å redusere scope 3-utslipp kan Yara skade sitt omdømme og miste markedsandeler til mer proaktive konkurrenter.

#### *Foreslåtte investeringer kan øke oppstrømsutslippene betydelig*

På et tidspunkt hvor Yara sine utslipp må reduseres raskt, vurderer Yara investeringer i to nye anlegg som kan føre til økte oppstrømsutslipp. Disse anleggene, lokalisert på Gulfkysten i USA, vil produsere ammoniakk fra fossilgass, og fange opp direkte utslipp, men ikke løse utslippene fra gassutvinning fra gassutvinning og transport.

Uten oppstrøms scope 3-mål er det uklart om og hvordan Yara planlegger å håndtere disse utslippene. Disse investeringene, ved å binde seg til en avhengighet av fossilgass, utgjør også en langsiktig risiko for verdiforringelse av eiendeler.

### *Andre selskaper i sektoren setter oppstrøms scope 3-mål*

Mens Yara sin strategi for å sette omfattende mål forblir uklar, begynner andre selskaper i den kjemiske sektoren å sette sine egne oppstrøms scope 3-mål. Basert på validerte primærdata fra leverandører viser disse målene at nøkkelutfordringene knyttet til innsamling av oppstrømsdata er overkommelige med strenge strategier for leverandørsamarbeid.

### *SBTi vil snart gi veiledning for målsetting innen kjemisk sektor, inkludert scope 3*

Senere i år vil Science Based Targets initiative (SBTi) utgi veiledning for målsetting innen kjemisk industri, der de fastsetter en harmonisert standard og metodikk for 1,5C- tilpassede mål i denne sektoren. Yara har vært en sponsor for SBTi sitt arbeid innen kjemikalier og bidrar til utviklingen av veiledningen gjennom sitt medlemskap i SBTi sin Expert Advisory Group. Det er ingen grunn til at Yara ytterligere skal utsette å sette et mål når veiledningen er utgitt.

### *Det er i Yara sin beste interesse å sette omfattende mål for utslippsreduksjon*

Ved å sette omfattende, vitenskapsbaserte scope 3-mål, kan Yara redusere omdømme- og kommersielle risikoer for virksomheten, fange opp fremvoksende markeder for lavkarbonprodukter og sikre en jevn overgang til netto nullutslipp. Yara har allerede sagt at de vil sette omfattende, 1,5C-tilpassede scope 3-mål; dette forslaget støtter Yara i å følge opp sitt løfte.



## Knowledge grows

### The Board of Director's response to shareholder's proposal item 13 on the agenda for Yara International ASA's Annual General Meeting 2024

Yara International ASA (the "**Company**" or "**Yara**") was an early mover in reducing its own GHG emissions. Before The Paris Agreement was signed, Yara had already installed technology to eliminate about 45% of its scope 1 GHG.

The Company currently has three climate KPIs:

- -10% GHG emissions intensity per tonne of nitrogen in products produced by 2025, from a 2018 baseline. This KPI covers scope 1, 2 and third-party ammonia, which represents Yara's largest source of scope 3 upstream emissions.
- -30% absolute scope 1+2 GHG reduction by 2030 from a 2019 baseline.
- -11.1% absolute scope 3 GHG reduction associated with use of fertilizers sold by 2030, from a 2021 baseline. This category of emissions is Yara's largest source of emissions across all scopes, representing 51% of total emissions, or 71% of scope 3 emissions.

The Company has committed to setting Science Based Targets for climate. Its absolute emissions reduction targets were set based on Science Based Targets initiative (SBTi) criteria. The Company was supported by external expertise in developing the KPIs and refining its GHG inventory.

The targets were developed in accordance with the SBTi December 2021 guidance, meaning the scope 1+2 KPI was set according to well-below-2-degree criteria, and the scope 3 KPI was set on a 2-degree scenario. As 71% of Yara's scope 3 emissions are downstream, a short-term scope 3 upstream target was not required when submitting targets for validation. The targets were submitted to the SBTi in July 2022.

During SBTi validation, Yara encountered an issue which could not be resolved, linked to complexities in scope allocation of specific emissions. Yara has adopted the EU view as documented in the EU ETS, that CO<sub>2</sub> chemically embedded into urea represent emissions owned by the company, i.e., reported in scope 1, while SBTi views this CO<sub>2</sub> as part of producer's scope 3. Yara's interpretation of this issue supports a stricter target setting. Consequently, the target validation process was halted.

In parallel, Yara partnered with Nutrien, OCP, IFA and WBCSD to support a Sectoral Decarbonization Approach (SDA) for the nitrogen fertilizer sector. This work commenced in 2022, where Yara participates in the Expert Advisory Group. The SBTi and Yara agreed to handle the unresolved issue in the SDA process.

The SDA process has also been delayed. However, the public consultation of the SDA for the chemical industry, including the nitrogen fertilizer sector, is expected soon. The aim of the SDA is to have alignment on an emissions reductions pathway for the industry, which can subsequently be used to shape updated climate KPIs.

Yara's upstream scope 3 emissions stem mainly from purchased ammonia, fossil fuels, raw materials and transport. Of these, emission from third-party ammonia is the single largest source in this category and are covered by the afore-mentioned GHG emission intensity reduction target. These emissions will be reduced by sourcing low-carbon ammonia, which Yara's flexible production footprint is set up to accommodate for. The availability of low-carbon ammonia is currently limited, but expected to increase significantly by 2030. For all categories of scope 3 emissions, a lack of carbon footprint data of good quality complicates target setting. However, Yara is working with suppliers to obtain good quality carbon



## Knowledge grows

footprint data, which is a prerequisite for incorporating more of scope 3 emissions into specific targets. In addition, regulations such as the EU Cross-Border Adjustment Mechanism (CBAM) enables increased transparency for certain products as the regulation requires submitting of climate data.

While no target for the remaining upstream scope 3 emissions has yet been submitted for SBTi validation, Yara's ambition of Growing a nature-positive food future remains firm and our strategy is focused on profitable decarbonization, across all scopes and processes.

The Board notes that the Company has worked diligently on setting climate targets in accordance with best practice. The Company has also committed itself to continue supporting the work with achieving the goals of the Paris Agreement. Further details on how the Company will work to achieve the goals of The Paris Agreement will be published in the Company's 2024 Integrated Report, where a first version of Yara's climate transition plan will be included. Yara is also developing more comprehensive scope 3 targets. The latest date of defining such targets will be in 2027, which is when the Company's climate KPIs submitted to Science Based Targets initiative (SBTi) must be renewed. If feasible, a KPI may also be concluded and communicated at an earlier point in time.

It is the Board's view that the Company's contributions to the achievement of the climate targets are best done by pursuing the ongoing work, rather than to focus its efforts on one specific category of scope 3 emissions.

The Board recommends the general meeting to vote **against** the proposal.