

Yara shareholder resolution 2024: Response to Yara’s Board of Directors

Note: This response to the statement made by Yara’s Board of Directors about ShareAction’s shareholder resolution addresses the Board’s response on a point-for-point basis. However, the points we make below have been discussed in further detail in our [recent investor briefing on the shareholder resolution](#). Interested investors should refer to this document for a fuller discussion of why this year’s resolution at Yara is necessary to accelerate Yara’s action on its emissions.

ShareAction welcomes Yara International’s [detailed response](#) to our shareholder proposal on scope 3 emissions targets and further discussion of their strategy and timeline for setting comprehensive scope 3 targets.

However, ShareAction remains concerned that the company is not acting quickly enough to set targets on and reduce its scope 3 emissions, and may even water down its existing commitments. We continue to encourage shareholders to vote in support of the resolution to ensure that the company addresses these emissions on a timeline aligned with limiting global temperature rise to 1.5C. In this document, we respond to some of the points raised in the Board’s response to our resolution.

Yara criticises ShareAction’s resolution for its ‘focus...on one specific category of scope 3 emissions’— but this statement mischaracterises the resolution and downplays the importance of upstream emissions. ShareAction’s resolution encourages Yara to set more ambitious targets across its whole value chain, including downstream; for more information, see our discussion of Yara’s downstream emissions on [p. 8 of our investor briefing](#). We have chosen to focus in particular on upstream emissions because they are highly material and Yara does not currently have any short- or long-term absolute target covering these. Upstream emissions account for 15% of Yara’s total emissions, while emissions from purchased raw materials alone (scope 3, category 1) make up 12.4% of Yara’s total emissions¹.

While Yara’s downstream footprint is larger than its upstream footprint, upstream emissions are nonetheless highly significant and must be addressed in tandem with downstream. The Board also emphasizes that Yara has an intensity target covering a portion of its scope 3 upstream emissions from third-party-purchased ammonia. However, this target expires next year, and according to the company’s CDP report will not result in any reduction in absolute scope 3 emissions².

Yara’s existing downstream scope 3 target technically complies with SBTi cross-sector guidance—but does not align with a 1.5C scenario. In its response, the Board highlights Yara’s existing commitment to reduce emissions from the use of its products by 11.1% on an absolute basis by 2030. It is true that this target technically complies with the SBTi’s 2021 cross-sectoral criteria for scope 3 emissions coverage³, since it includes more than two-thirds of their scope 3 emissions. However, as the Board acknowledges, the target is aligned with a 2C scenario, not a

¹ CDP (2023). ‘Yara International ASA – Climate Change 2022’, section C6. Available online at: https://www.cdp.net/en/cdp2/redirect?campaign_id=83630982&discloser_id=1038780&organization_name=Yara+International+ASA&organization_number=20928&program=Investor&project_year=2023&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F2023%2Fjwbhd7d6%2F297748&response_type=search_response&survey_id=82591262&use_submission_columns=true [accessed 08 January 2024].

² Ibid, section C4.1b.

³ Science Based Targets (2021). ‘SBTi Corporate Net-Zero Standard’, p. 22. Available online at: <https://sciencebasedtargets.org/resources/files/Legacy-Net-Zero-Standard-V1.0.pdf> [accessed 03 May 2024].

1.5C scenario. Several recent studies—including one authored by the International Fertilizer Association and sponsored by Yara—have shown that it is possible to align emissions from the use of nitrogen fertilisers with 1.5C of warming⁴. Yara must urgently set updated targets aligned with 1.5C.

Yara has also recently indicated that it may further water down its downstream scope 3 target. In their most recent annual report, released in March, Yara has stated that it ‘is exploring the possibility of converting our scope 3 target into an intensity-based target in the future’⁵. The proposed intensity target would likely measure ‘nitrogen use efficiency’ (NUE), a measure of the amount of nitrogen output in harvested agricultural crops per unit of nitrogen applied to the soil⁶. While NUE is important, it does not directly measure emissions, and a target based on this metric is not a proxy for emissions reductions. An intensity target based on NUE might not require any absolute emissions reductions at all.

Furthermore, Yara does not currently have formal net-zero targets on any scope. Without such targets, investors cannot be confident that Yara has a comprehensive strategy to align its emissions with a 1.5C trajectory.

Yara says it will set ‘more comprehensive’ targets by 2027—but this is too little, too late. We are already rapidly approaching 1.5C of warming; 2023 was the first year during which global average temperature rise exceeded 1.5C over a twelve-month period⁷. While limiting global temperature rise to 1.5C is still in reach, there is no time to waste: we must take ambitious action within this decade to reduce emissions as quickly as possible. Delaying target-setting until 2027 would leave only three years to address Yara’s supply chain emissions, which account for around three-quarters of their carbon footprint⁸. Yara must act now to address its full carbon footprint.

Yara does not say whether these targets will be aligned with a 1.5C scenario, and does not specify what ‘more comprehensive’ targets would include. Yara is one of the world’s leading nitrogen fertiliser manufacturers, and has publicly emphasised its commitment to climate and sustainability, including setting 1.5C aligned targets across all scopes⁹. But the Board’s response to our proposal does not mention the temperature alignment of its future targets and does not specify what categories, and which parts of its supply chain, future targets would

⁴ International Fertiliser Association and SystemIQ (2022). *Reducing Emissions from Fertiliser Use*, p. 3. Available online at: https://www.systemiq.earth/wp-content/uploads/2023/07/Reducing_Emissions_from_Fertilizer_Use_Report-JK.pdf [accessed 20 February 2024]; Gao, Y., and A.C. Serrenho (2023). ‘Greenhouse gas emissions from nitrogen fertilizers could be reduced by up to one-fifth of current levels by 2050 with combined interventions’, p. 170. *Nature Food*. Available online at: <https://doi.org/10.1038/s43016-023-00698-w> [accessed 02 February 2024].

⁵ Yara International (2024), *Yara Integrated Report 2023: Building resilience and a nature-positive food future*, p. 135. Available online at: <https://www.yara.com/siteassets/investors/057-reports-and-presentations/annual-reports/2023/yara-integrated-report-2023.pdf> [accessed 08 April 2024].

⁶ Yara (2024). ‘Our position on Nitrogen Use Efficiency and Nutrient Management’, p. 2, p. 4. Available online at: <https://www.yara.com/siteassets/sustainability/position-papers/yaras-position-on-nitrogen-use-efficiency--nutrient-management.pdf> [accessed 03 May 2024].

⁷ Copernicus Climate Change Service (2024). ‘Global Climate Highlights 2023’. Available online at: <https://climate.copernicus.eu/global-climate-highlights-2023> [accessed 03 May 2024].

⁸ CDP, ‘Yara International ASA – Climate Change 2022’, section 6.

⁹ Yara International (2023), *Yara Integrated Report 2022: On course to a nature-positive food future*, p. 56. Available online at: <https://www.yara.com/siteassets/investors/057-reports-and-presentations/annual-reports/2022/yara-integrated-report-2022.pdf> [accessed 11 April 2024].

include. Yara must follow through on its promises and set targets aligned with 1.5C across its value chain.

Yara gives some details on its strategy for reducing upstream emissions, but they suggest these reductions will be delayed until later in the decade. Yara's strategy for reducing upstream emissions, as discussed in their response, appears to depend heavily on transitioning their third-party purchased ammonia from grey to blue ammonia. As they acknowledge, the availability of blue ammonia is currently limited and will continue to be so until the latter half of the decade (Yara's proposed blue ammonia plants are expected to become operational from 2026 onwards). However, Yara can take steps now to improve its upstream scope 3 footprint, including by engaging with suppliers to reduce their own emissions. Other European chemical companies, such as Air Liquide¹⁰, have recently released upstream scope 3 strategies addressing this.

Yara says that scope 3 data collection is a challenge, but targets recently set by Yara's peers show what is possible. The Board states that collecting high-quality emissions data across its supply chains remains a key obstacle to scope 3 target setting, though they expect the situation to improve when the EU's Carbon Border Adjustment Mechanism is introduced in 2026. However, Yara's peers are already setting targets covering upstream emissions. In December, BASF—the world's largest chemical company and another major producer of ammonia and nitrogen fertilisers—set a target covering scope 3, category 1 emissions¹¹. To set this target, BASF has validated primary data from suppliers covering 25 per cent of its category 1 emissions and has contacted suppliers covering 70 per cent¹². BASF's target shows that challenges to obtaining high-quality data are surmountable with rigorous supplier engagement strategies.

The SBTi guidance on target-setting in the chemical sector will be released for consultation soon and will be published later this year¹³. Yara has sponsored the guidance development process and, through its participation in the Expert Advisory Group to the SBTi, been involved in discussions about the contents of the guidance. It should therefore be familiar with the contents of the guidance when they are released and prepared to set a target soon afterward.

ShareAction welcomes Yara's announcement that they will release a company transition plan in their 2024 Integrated Report; this will offer an opportune moment for Yara to confirm its commitment to a 1.5C-aligned future by setting comprehensive, ambitious scope 3 targets. We continue to call for investors to support our resolution to ensure that Yara does so.

¹⁰ Air Liquide (2024). 'Performing for what matters: Sustainability Report 2023', p. 25. Available online at: <https://www.airliquide.com/sites/airliquide.com/files/2024-03/airliquide-sustainability-report-2023.pdf> [accessed 03 May 2024].

¹¹ BASF (2023). 'BASF Investor Update', p. 31. Available online at: https://www.basf.com/global/documents/en/investor-relations/calendar-and-publications/presentations/2023/231207_BASF-Investor-Update_Presentation.pdf.assetdownload.pdf [accessed 08 January 2024].

¹² Ibid., p. 30.

¹³ Science Based Targets (2024). 'Chemicals'. Available online at: <https://sciencebasedtargets.org/sectors/chemicals> [accessed 11 April 2024].