

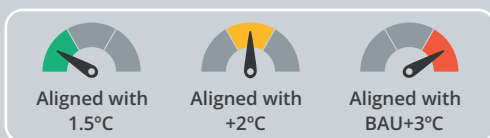


## Overall Assessment

**Planet Tracker: Incitec Pivot is expected to be on track for a 1.5°C pathway by 2030.**

Incitec Pivot demonstrates a robust commitment to its climate transition with ambitious greenhouse gas (GHG) reduction targets and proactive risk management. The company's revised transition plan aims to achieve a 42% absolute reduction in emissions by 2030 and Net Zero by 2050. While Incitec exhibits commendable downstream customer engagement, there are gaps in policy alignment, and supplier involvement remains limited. Notably, Incitec's Climate Risk Assessment and Management, backed by strategic investments, reflects a credible approach to mitigation.

However, there is a projected 23% emission reduction gap between the company's emissions trend and the Science-Based Targets recommended level by 2030, underscoring the need for intensified efforts to achieve its targets. While Incitec's initiatives showcase a strong commitment, improving the linkage between investments and emissions reductions is vital to ensure adherence to a path toward a 1.5°C scenario. In summary, Incitec Pivot appears to be on course for a 1.5°C pathway by 2030, contingent on the successful implementation of its mitigation projects.



This report is one of a series examining the climate transition plans of companies in the Climate Action 100+ list. This project is separate to and not affiliated with Climate Action 100+.

Download the Shareholder Engagement Sheet [here](#).



## Climate Alignment

- According to Planet Tracker's analysis, by 2030 the majority of Incitec's GHG emissions will come from downstream Scope 3 activities with 42.6% of the total followed by Scope 1 activities with 32.3%.
- Without further mitigation, Incitec Pivot's total GHG emissions will overshoot SBTs by 23%, pushing its 1.5°C pathway alignment towards a well-below 2°C warming scenario by 2030.



## Policy and Governance

- Incitec Pivot's engagement focuses on its customers as emissions from fertilizer use constitute 53% of its total Scope 3 emissions in 2022; however, a wider engagement with suppliers and scrutiny of member organisations misaligned with the Paris Agreement is recommended for a 1.5°C pathway alignment.
- In the short to mid-term (up to 2030), Incitec Pivot's remuneration structure aligns with the 1.5°C transition goal; nevertheless, in Planet Tracker's view the introduction of long-term climate-related remuneration would most likely incentivise Incitec's Net Zero alignment by 2050.



## Risk Analysis

- The assessment of the company's climate transition risks and opportunities revealed that a clear path to mitigate the company's thermal coal market exposure, in alignment with a 1.5°C trajectory, remains uncertain.
- Still, Incitec Pivot's strategic allocation of capital and emphasis on resilience and diversification practices exemplify the company's commitment to sustainable growth and operational stability.



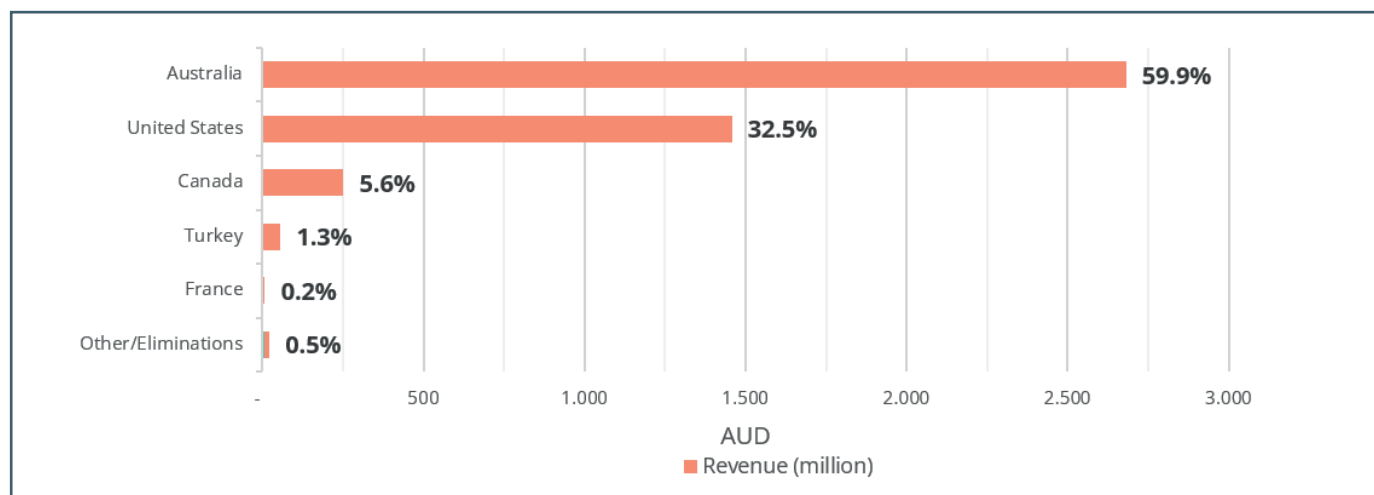
## Strategy Assessment

- With key investments in its Climate Transition plan and a relatively narrow gap between projected emissions trends and recommended SBTs, Incitec Pivot appears poised to align with the Paris Agreement by 2030.
- However, a more detailed connection between mitigation projects and transition investments would enhance transparency and align the company's efforts more clearly to its 1.5°C target by 2030, and subsequent Net Zero by 2050.

## Company Overview

**Incitec Pivot Ltd (IPL)**, a prominent player in the explosives industry<sup>1</sup>, operates across five main markets, namely, Australia, the United States, Canada, Turkey, and France. Notably, a significant 93% of its

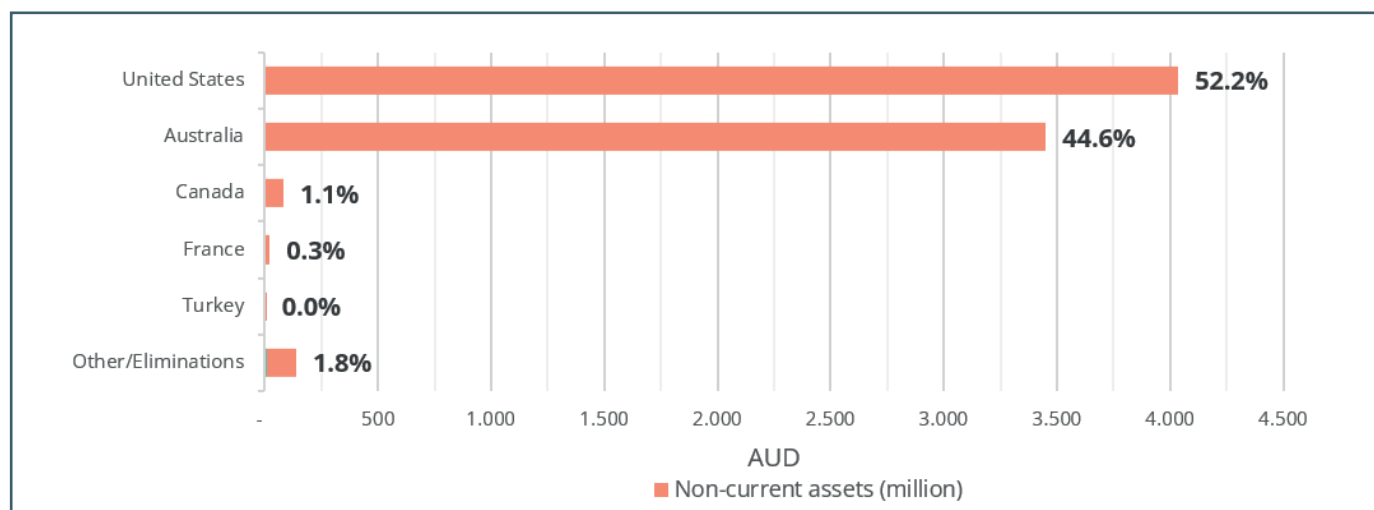
AUD 4.5 billion<sup>2</sup> annual average revenue over the last five years was generated from Australia (60%) and the United States (33%), as presented in Figure 1.



**Figure 1: Revenue (%) - Breakdown by Geography (5Y Avg.)<sup>3</sup>.** \*With the exception of France for which only 2022 data was available. Source: Incitec Pivot Annual Reports 2018-2022.

Moreover, a substantial 97% of Incitec Pivot's non-current assets are concentrated in the United States

(52%) and Australia (45%), underscoring the strategic importance of these regions, as disclosed in Figure 2.



**Figure 2: Non-current assets<sup>4</sup> (%) - Breakdown by Geography (5Y Avg.)<sup>5</sup>.** \*With the exception of France for which only 2022 data was available. Source: Incitec Pivot Annual Reports 2018-2022.

1 As of Mar 31, 2023, according to Morningstar, Incitec Pivot's share of the global commercial explosives market is estimated at about 15%. Source  
 2 Equivalent to USD 3.1 billion at a closing exchange rate of 0.6821 AUD/USD on the 30th of December 2022. Source  
 3 In presenting information on the basis of geographical information, revenue is based on the geographical location of the entity making the sale.  
 4 Usually referred to as Fixed Assets.  
 5 Non-current assets are based on the geographical location of the assets.

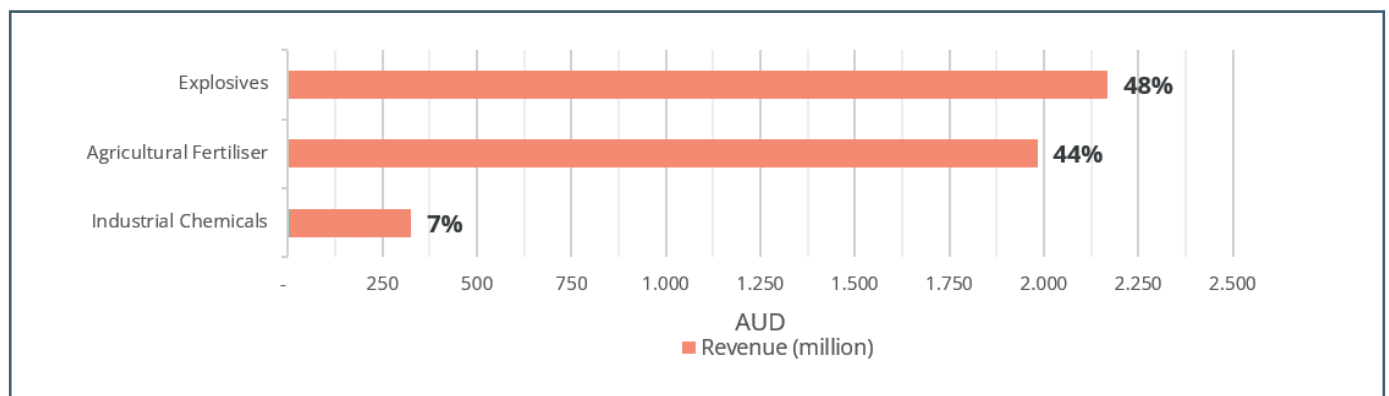
Hence, it could be deduced that Incitec’s primary exposure to climate transition risks and opportunities, along with relevant policies, is predominantly concentrated in these two countries.

Beyond its explosives division, Incitec Pivot is engaged in the production and distribution of fertilizers and industrial chemicals through three main business units: Dyno Nobel Americas (DNA), Dyno Nobel Asia Pacific (DNAP), and Fertilisers Asia Pacific.

In the United States, its DNA unit covers Explosives, which manufactures ammonium nitrate<sup>6</sup> for the Construction, Metals, and Coal sectors; Agriculture & Industrial Chemicals, responsible for manufacturing nitrogen-based fertilizer; and Waggaman operations<sup>7</sup>, focusing on ammonia production for industrial applications.

Meanwhile, DNAP provides ammonium nitrate-based industrial explosives to the Coal and Metals sectors in Australia and various international markets, including France and Turkey. Additionally, the Fertilisers Asia Pacific unit caters Australia<sup>8</sup> and other global agricultural markets with products like Ammonium Phosphates and Urea Equivalents.

To present a comprehensive overview of its revenue sources, Incitec’s business segments were categorised based on their primary product offerings. Figure 3 illustrates the average revenue over the last five years for the Explosives segment (including Ammonium Nitrate and related initiating systems and services), Agricultural Fertilisers (comprising Nitrogen-based Fertilisers, Ammonium Phosphates, and Urea Equivalents), and Industrial Chemicals (specifically Ammonia).



**Figure 3: Revenue (%) - Breakdown by Business Segments (5Y Avg.).**  
Source: Incitec Pivot Annual Reports 2018-2022 & Planet Tracker’s calculations.

Between 2018-2022, the Explosives segment emerged as the leading revenue generator, contributing 48% of the total, closely followed by the Agricultural Fertiliser sector, which accounted for 44% of the revenue. In summary, Incitec’s primary exposure to climate transition risks and opportunities stems from developments in these two sectors with a focus on related policies in Australia and the United States.

Furthermore, the company’s 2022 Climate Change report underscores the shifting trends in the mining sector away from thermal coal and the adoption of high-efficiency low GHG fertilisers, in agricultural markets, aligning with the global move toward a Net Zero economy.

<sup>6</sup> Notably, ammonium nitrate is often sold in conjunction with proprietary initiating systems and services.

<sup>7</sup> Be aware that the Waggaman business segment is in the process of being sold (Source), and therefore, the company’s GHG emissions baseline might be slightly reduced when this transaction is closed.

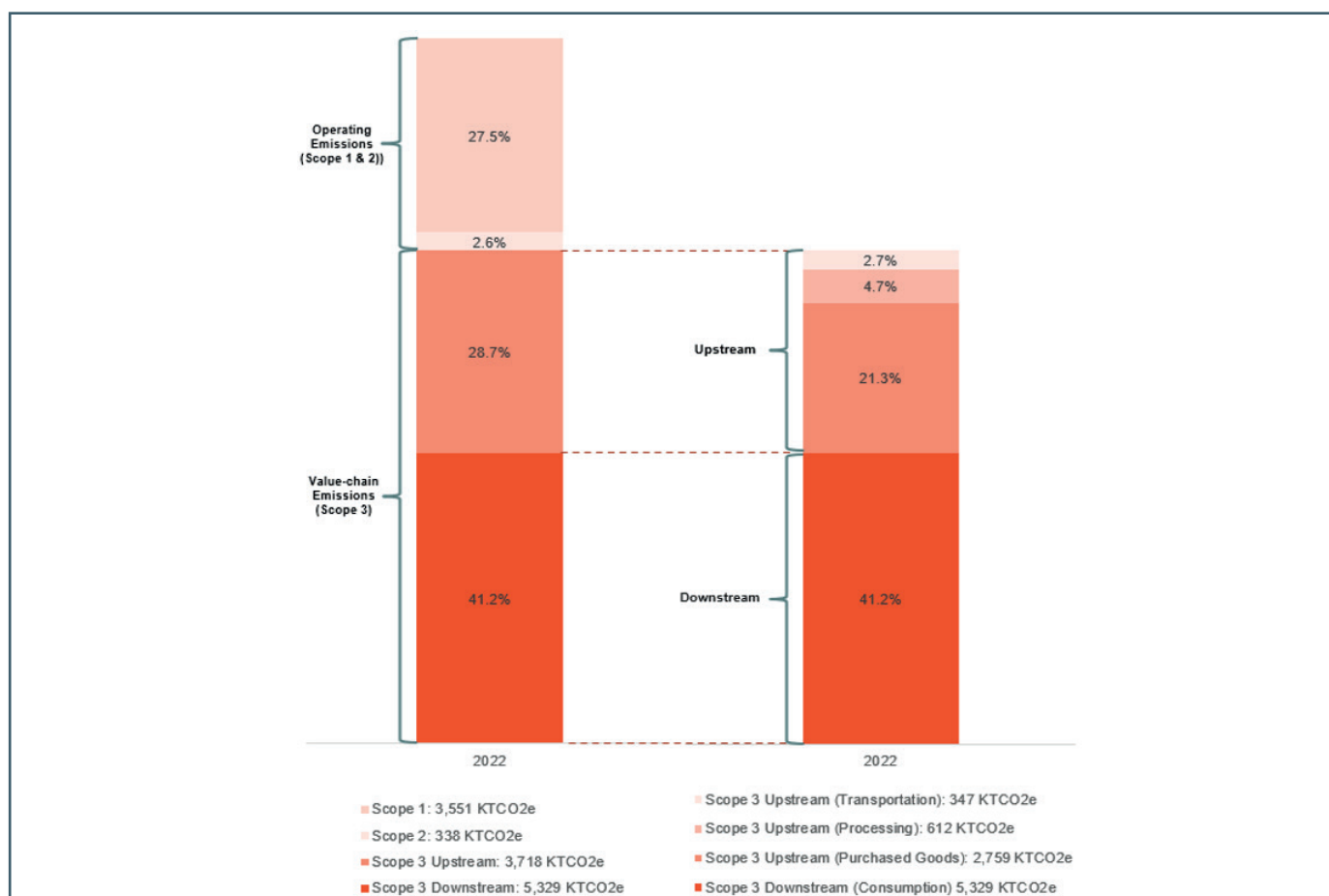
<sup>8</sup> According to Morningstar, Incitec is the only Australian manufacturer of ammonium phosphates and urea. Source

## Climate Alignment

### EMISSIONS INVENTORY

In Incitec’s most recent greenhouse gas (GHG) emissions disclosures<sup>9</sup>, its total footprint stands at 12,936 KTCO<sub>2</sub>e. Examining the breakdown of these emissions in 2022, it was found that Scope 1 GHG emissions constituted 27.5% of the total emissions, with Scope 2 emissions (location-based) making up 2.6%.

The majority, amounting to 70%, originated from Scope 3 activities. Within this scope, 28.7% can be attributed to upstream activities<sup>10</sup> while downstream activities<sup>11</sup> were responsible for 41.2%. Notably, the main contributors include “Downstream Consumption”, accounting for 41.2% of total emissions, and Upstream “Purchased Goods”, contributing 21.3%, as depicted in Figure 4.



**Figure 4: Value Chain GHG Emissions (2022) - Percentage Breakdown by Scope.**  
Source: Incitec Pivot’s Climate Change CDP Answers 2023.

<sup>9</sup> Presented in its 2023 CDP Climate Response and covering FY2022.

<sup>10</sup> Scope 3 upstream emissions include: (1) Purchased Goods - accounting for the emissions associated with the manufacture of purchased resources for fertilisers, explosives and chemical products, from the moment these are mined, extracted, or grown, through all processing, manufacturing and transport until their final exit by suppliers’ gates (according to the company ammonia-based fertilisers and explosives resources are the most material contributors to this category); (2) Processing - including the emissions “Fuel and Energy Activities” not covered in Scope 1 and 2, and emissions from “Waste from Operations”; (3) Transportation - covering emissions from “Transport & Distribution” associated with the shipping, rail, and trucking of Incitec’s purchased goods from Tier 1 suppliers by third parties.

<sup>11</sup> Scope 3 downstream emissions include: (1) Consumption - covering emissions from the “Use of sold products” associated with the end use of fertilisers, explosives and industrial chemicals sold by Incitec whether the end user is a direct customer or an external distributor.

It is worth highlighting that while Planet Tracker sought to analyse Incitec Pivot’s emissions evolution over the past five years, the company only began disclosing its Scope 3 emissions in 2020. Furthermore, there was a restatement of these 2020 emissions in 2022. The company explains that this revision was prompted by an external review of its GHG calculation methodology, which was conducted in conjunction

with the evaluation of Science-Based Targets, aiming for their subsequent implementation and broader alignment with the GHG Protocol. As a result, the following section will delve into the evolution of the company’s GHG emissions from 2020 to 2022 and their potential alignment with the company’s Climate Transition targets.

## Externalities Trends and Targets

Between 2020 and 2022, Incitec Pivot achieved a nearly 7% absolute reduction in total GHG emissions, dropping from 13,892 KTCO<sub>2</sub>e in 2020 to 12,936 KTCO<sub>2</sub>e in 2022 (see Table 1).

This decrease was primarily due to a substantial reduction in Scope 3 upstream emissions, with a 6.5% annual change and a notable 12.6% absolute decrease.

**Table 1: Scope 1, 2, and 3 CO<sub>2</sub>e evolution 2020-2022. Source: Incitec Pivot’s Climate Change CDP Answers 2022 and Planet Tracker Calculations**

Scope	2020 (KTCO <sub>2</sub> e)	2022 (KTCO <sub>2</sub> e)	Compounded annual change % (2020-2022)	Absolute Change % (2020-2022)
Scope 1 GHG Emissions	3,646	3,551	-1.3%	-2.6%
Scope 2 GHG Emissions (location-based)	345	338	-1.0%	-2.0%
Scope 3 Upstream GHG Emissions	4,252	3,718	-6.5%	-12.6%
Scope 3 Downstream GHG Emissions	5,649	5,329	-2.9%	-5.7%
Scope 1, 2 and 3 GHG emissions	13,892	12,936	-3.5%	-6.9%

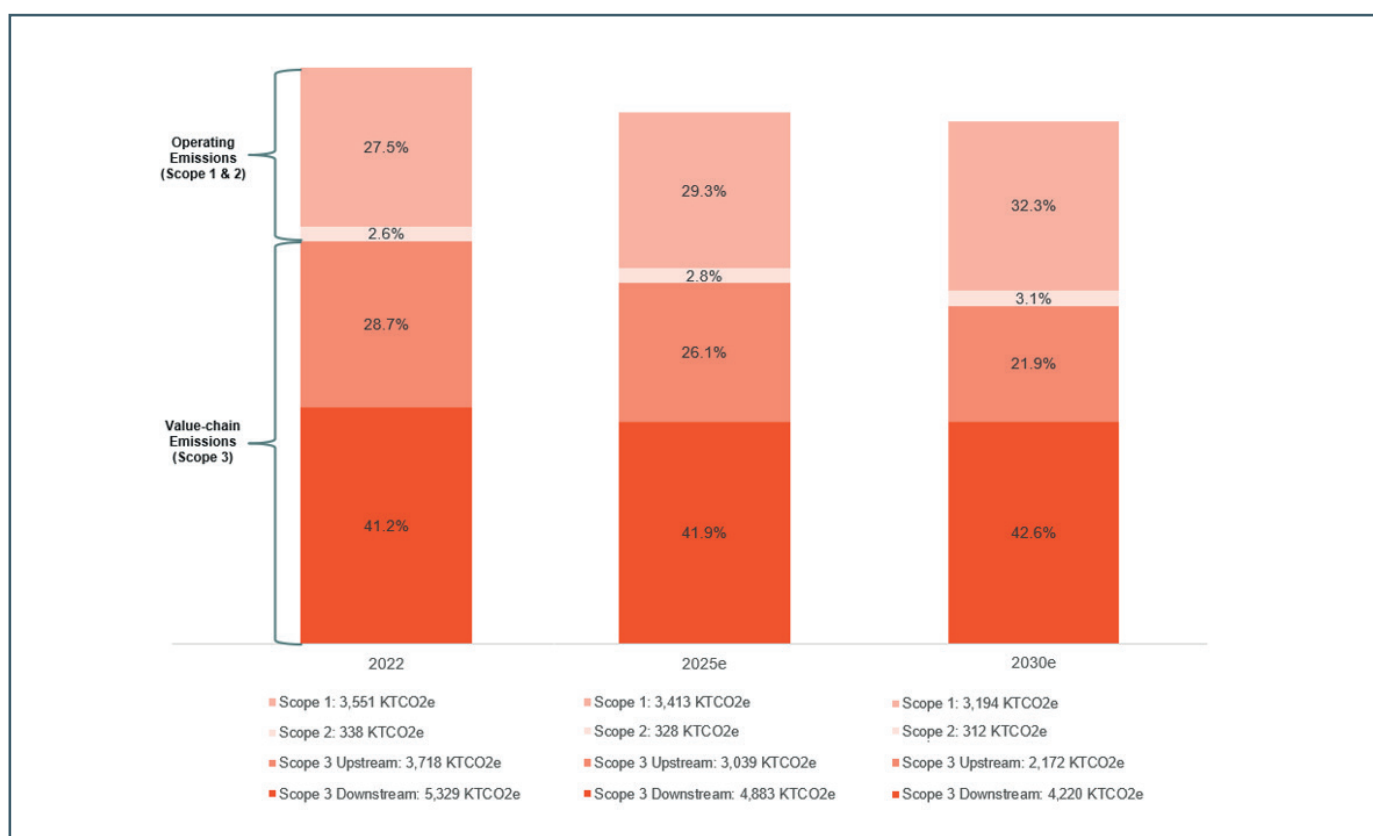
To evaluate the company’s alignment with its transition goals, we projected Scope 1, 2, and 3 GHG emissions up to 2030 using a straightforward extrapolation model based on the annual emissions change rate from 2020 to 2022. It is crucial to note that during the 2020-2022 period, the company experienced a 26.6% annual revenue growth rate, most likely due to increased prices linked to the Ukraine War<sup>12</sup>, rather than market expansion. This juxtaposition of rising revenue and falling emissions highlights a potential trend where economic growth

does not necessarily translate into an increase in the company’s carbon footprint. Also, this extrapolation model does not consider the company’s future decarbonisation strategy. The aim of this exercise is not to precisely predict the year-on-year evolution of the company’s GHG emissions but rather to show the general direction of Incitec’s GHG emissions without further mitigation. Thus, examining the company’s engagement and investments in the next sections becomes crucial to gauge whether Incitec Pivot will break from the historical pattern.

12 Relating to fertilisers and explosives for mining and quarry building purposes.

Based on this exercise, by 2025, Scope 1 and 2 emissions are forecasted to reach 3,413 KTCO<sub>2</sub>e and 328 KTCO<sub>2</sub>e, respectively, and by 2030, 3,194 KTCO<sub>2</sub>e and 312 KTCO<sub>2</sub>e. Meanwhile, upstream Scope 3 emissions are expected to reach 3,039 KTCO<sub>2</sub>e by 2025 and 2,172 KTCO<sub>2</sub>e by 2030, with downstream Scope 3 emissions projected at 4,883 KTCO<sub>2</sub>e in 2025 and 4,220 KTCO<sub>2</sub>e in 2030.

Without additional mitigation efforts, the extrapolated emissions by 2030 would total 9,899 KTCO<sub>2</sub>e. In this scenario, 42.6% of Incitec's total emissions would come from downstream Scope 3 emissions, followed by 32.3% from Scope 1 emissions, 21.9% from upstream Scope 3 activities, and 9.7% from location-based Scope 2 activities, as illustrated in Figure 5



**Figure 5: Value Chain GHG Emissions (2025e & 2030e) – Percentage Breakdown by Scope.**  
Source: Incitec Pivot Climate Change CDP Answers 2022; Planet Tracker Calculations.

In 2022, Incitec Pivot updated its Climate Transition ambition, with the long-term goal of reaching Net Zero by 2050. To achieve this target the company has set the interim goal of a 5% absolute GHG reduction by 2025 from a 2020 (restated) baseline year, and a 25% medium-term Absolute GHG reduction target by 2030, which includes, according to the company, a potential pathway to >42% GHG absolute reduction by 2030<sup>13</sup>.

In light of these ambitions, Incitec Pivot must reduce its Scope 1, 2, and 3 GHG emissions by up to 38% by 2030 from a 2022 baseline to align with a 1.5°C science-based pathway<sup>14</sup>. In practical terms, this means reducing the company's total GHG footprint of 12,936 KTCO<sub>2</sub>e to 8,058 KTCO<sub>2</sub>e, equivalent to a 38% absolute reduction from 2022 or a 42% absolute reduction from 2020. However, based on the projected emissions trend from a 2022 baseline,

13 Be aware that at the time of this publication, the SBTi is developing a Chemical Sector Decarbonization Approach (SDA), and thus, these targets might slightly vary upwards or downwards in the near future to align with the Paris Agreement.  
14 In this case the 42% reduction in total GHG emissions is used as the "standard" absolute decrease of the company's total GHG footprint to align with the Paris Agreement by 2030. By "standard" we refer to the generic mitigation ratio suggested by the SBTi for those companies that are not part of a specific sectoral pathway.



Incitec’s emissions would only decrease to 9,899 KTCO<sub>2</sub>e by 2030, reflecting a 23% absolute decline from the 2022 GHG emissions level, as shown in Figure 6.

Importantly, Figure 6 shows that recommended Science-Based Targets (SBTs) by 2025 indicate a 2% GHG growth. This apparent increase does not suggest a recommended rise in emissions; rather, it highlights the company’s progress in reducing emissions compared to the baseline year (2020), as the 2022 emissions are lower than the targeted 2025 level

(which expected a 5% reduction from 2020 levels). Looking ahead, the extrapolated historical trend of emissions indicates a 10% reduction in Incitec’s total GHG footprint by 2025. However, to align with the Paris Agreement, a 38% reduction is needed by 2030. Thus, Incitec’s projected 23% reduction leaves a gap of 1,841 KTCO<sub>2</sub>e between the company’s extrapolated trend and the recommended emissions level by the SBTi, which needs further mitigation.



**Figure 6: Future GHG Emissions – SBTs vs Extrapolated Trends.**  
Source: Incitec Pivot Climate Change CDP Answers 2022, SBTi targets and Planet Tracker Calculations.

In summary, historical trends show significant progress in reducing GHG emissions, only slightly missing the 2030 alignment with a 1.5°C pathway. Hence, the dynamics of aligning with Paris-agreed

targets will require further assessments of the company’s initiatives as covered in the following sections.

## Policy and Governance

### ENGAGEMENT AND INFLUENCE

#### Suppliers' Engagement

Incitec Pivot's supplier engagement strategy, detailed in their 2023 CDP Climate Change response, focuses on gathering key climate and carbon information from 5% of suppliers by number, or 5% of procurement spend, and 4% of supplier-related Scope 3 emissions:

- 1. Information Collection:** The company partners with Rightship<sup>15</sup> to assess the energy efficiency and GHG emissions of shipping suppliers, utilising a rating scale from A to F. This allows Incitec to cut Scope 3 emissions by selecting more efficient ships. As of 2023, 37% of ships were rated A or B, and none fell into the F or G categories. Additionally, Incitec collaborated with suppliers to calculate 'cradle-to-gate' Scope 3 emission factors for products supplied to key customers in 2022
- 2. Engagement and Incentivisation:** Incitec motivates suppliers, particularly in shipping, to reduce their upstream and downstream Scope 3 emissions through financial incentives. While specifics are not detailed, these efforts are linked to a notable -12.6% reduction in upstream Scope 3 emissions over the last three years (2020-2022). However, given the coverage of a relatively small portion of Incitec Pivots suppliers, other factors might have contributed proportionally more to this Scope 3 emissions reduction.

#### Customers' Engagement

Incitec Pivot's approach to customer engagement, detailed in the CDP's 2023 climate change questionnaire, underscores **collaboration and innovation**. The company aims to actively involve customers in trials showcasing the enhanced efficiency of its fertilizers. Despite covering a modest 2% of its customer base, notably, emissions from fertilizer use on farms constitute 91% of Incitec's downstream 'customer use' category, and 53% of its total Scope 3 emissions in 2022.

Illustrating this approach, Incitec references a two-year trial, co-funded by DAFF<sup>16</sup> and the Victoria DPI<sup>17</sup>, demonstrating consistent reductions of approximately 60% in nitrous oxide emissions when ENTEC<sup>18</sup> was applied to NPK<sup>19</sup> and urea-based fertilizers. Additionally, broccoli trials at Werribee and Boneo recorded yield increases of between 8% and 59% respectively from adding ENTEC to the base fertiliser (Nitrophoska®). According to the company, these outcomes show ENTEC's potential to enhance nitrogen use efficiencies, reduce GHG emissions, and maintain or even improve yields, benefitting farming customers' bottom line.

In essence, these initiatives highlight Incitec's dedication to engaging customers in climate-sustainable practices and fostering innovative solutions to minimise its carbon footprint throughout its value chain.

#### Influence on Policymakers

In our analysis of Incitec Pivot's climate policy engagements, we observed a nuanced approach to climate-related policies and regulations. The company's public stance reflects broad support for climate initiatives, notably aligning with the UN Paris Agreement and expressing backing for carbon pricing on a global scale, albeit with a preference for technology-neutral solutions. However, this support comes with conditions, particularly regarding the complexities of emissions reduction strategies for hard-to-abate industries.

#### Specific Climate Policy Engagement:

While Incitec's top-line messaging on climate policy indicates general support, a closer look reveals selective positions. For instance, the company submitted a response to the Safeguard Mechanism Reform Consultation Paper in September 2022<sup>20</sup>, highlighting support for certain aspects of the Australian Safeguard Mechanism but with significant exceptions, particularly concerning emissions from Emissions Intensive Trade Exposed activities.

15 For Rightships methodology please see: [Source](#)

16 DAFF is the Department of Agriculture, Fisheries, and Forestry of the Australian Government.

17 Victoria DPI refers to the Australian Department of Primary Industries.

18 ENTEC® is an ammonium stabiliser for nitrogen fertilisers. ENTEC fertilisers help limit nitrogen losses, aiding crops to use nitrogen more efficiently.

19 NPK fertilisers refer to nitrogen (N), phosphorus (P) and potassium (K)  
20 [Source](#)



## Energy Transition and Industry Associations:

Incitec Pivot’s stance on the energy transition is nuanced. While supporting renewable energy and endorsing the expansion of Australia’s green hydrogen capacities, Incitec’s CEO, Jeanne Johns, expressed openness to the role of fossil gas in the long term, albeit without clear conditions on the deployment of Carbon Capture and Storage (CCS) or methane abatement measures.

Regarding industry association governance, the company’s 2022 Climate Change report did acknowledge memberships in various industry associations, some of which hold negative views on climate policies – see Table 2<sup>21</sup>. However, Incitec’s disclosures lack specificity, leaving room for improvement in addressing misalignments and outlining concrete steps for corrective actions.

**Table 2: Incitec Pivot’s Industry Association Memberships - InfluenceMap Assessment**  
Source: Appendix A - [link](#)

Industry Association	Paris Alignment Assessment
Carbon Market Institute	Aligned
Business Council of Australia	Partially Aligned
Australian Industry Greenhouse Network	Partially Aligned
Energy Users Association of Australia	Misaligned
World Coal Association (WCA)	Misaligned
Minerals Council of Australia (MCA)	Misaligned
Chamber of Minerals and Energy of Western Australia (CME)	Misaligned
Queensland Resources Council (QRC)	Misaligned
National Mining Association (NMA)	Misaligned

In summary, Incitec Pivot’s climate policy landscape is marked by a mix of support, conditions, and exceptions. Moving forward, the company could enhance transparency by providing more detailed disclosures on specific climate policies and engagements.

Clearer communication on the steps taken to address misalignments within industry associations will strengthen Incitec’s commitment to climate action, ensuring a more robust and aligned approach.

21

Source: Appendix A at [link](#).

## MANAGEMENT ALIGNMENT

### Sustainability Targets Oversight

#### A. The Board

According to the company, Incitec Pivot's Board of Directors oversees the company's climate change strategy, performance, and governance responsibilities.

The Board, comprising six Non-executive Directors and the Managing Director and CEO (presented in Table 3), is seen by Incitec as having a pivotal role in shaping the company's sustainable trajectory.

*Table 3: Board of Directors. Source: [link](#)*

Committee	Nominations	Health, Safety, Environmental and Community	Remuneration	Audit and Risk Management Committee
Brian Kruger	Chair	✓		
Jeanne Johns (CEO)		✓		
Bruce Brook	✓		✓	Chair
Dr Xiaoling Liu		Chair		✓
Gregory Robinson	✓		Chair	✓
George Biltz		✓		
Tonianne Dwyer BJuris			✓	✓

The Board's involvement in climate-related issues is formalised through the Incitec Pivot Limited (IPL) Climate Change Policy adopted in 2019. Per Incitec's statements, climate considerations are integrated into critical aspects of IPL's operations, including business strategy, risk management, and major investment decisions.

The Audit and Risk Management Committee (ARMC) specifically focuses on climate-related risk management. The ARMC objective is to review risk scenarios, analyses, and mitigation strategies, and ensure the integration of climate change-related risks into Incitec's risk management processes.

The Health, Safety, Environment, and Community (HSEC) Committee, a subset of the Board, monitors Incitec’s health, safety, environment, and community performance. It aims to ensure climate change-related risks to employees, operations, and the environment are meticulously managed. Additionally,

the Decarbonisation and Energy Transition Committee, chaired by the CEO and comprising key executives (presented in Table 4), strategically manages business risks and opportunities tied to climate change.

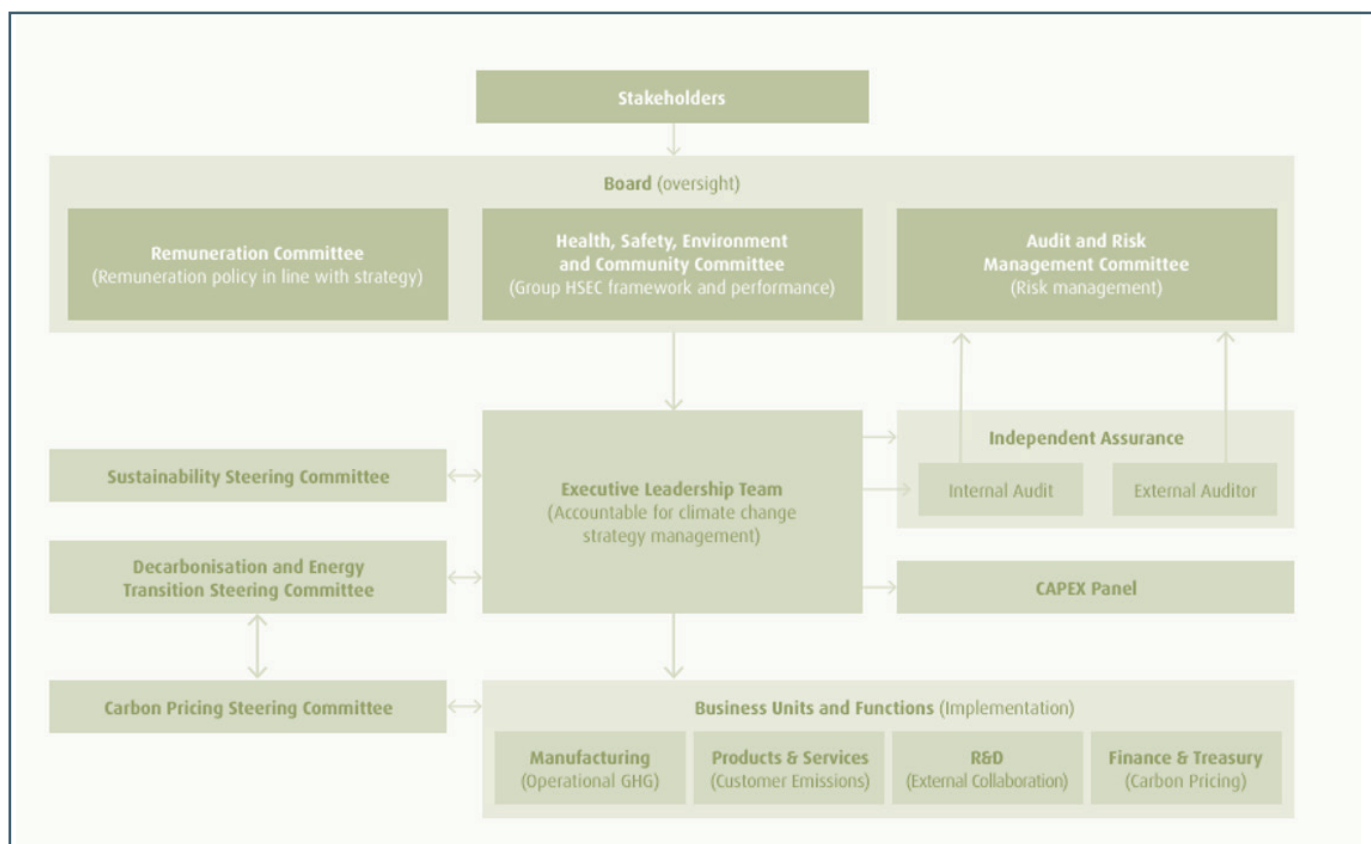
*Table 4: Executive Management Team. Source: Incitec Pivot Annual Report 2022*

Executives	Position
Mr Paul Victor	Chief Financial Officer
Mr Greg Hayne	President, Dyno Nobel Asia Pacific
Dr Braden Lusk	President, Dyno Nobel Americas

Thus Incitec’s commitment to sustainability extends to its executive team as this committee is seen by Incitec as instrumental in developing its Net Zero Transition Pathway. Moreover, the **Remuneration Committee** oversees remuneration policy, linking it to sustainability outcomes. For instance, in the FY22 Short-Term Incentive (STI) plan, key performance indicators related to the company’s GHG reduction objectives were incorporated, emphasising alignment with the company’s climate goals.

Furthermore, the Long-Term Incentive (LTI) plan introduces a Sustainability performance condition, emphasising Incitec’s progress against its GHG reduction targets and the development of a comprehensive emissions reduction strategy. We will cover more about this topic in the next sections.

In summary, Incitec Pivot’s Board of Directors seems to be actively involved in shaping the company’s sustainable development strategy and ensuring its alignment with environmental and societal objectives. In that regard, Figure 7 presents a comprehensive overview of the different committees and their interlinks.



**Figure 7: Incitec Pivot Board and Committee Breakdown and Interaction.**  
Source: Incitec Pivot Sustainability Report 2022.

## A. The Management

According to the company, at Incitec Pivot, sustainability governance is a dynamic collaboration led by the CEO, who chairs the Decarbonisation and Energy Transition Steering Committee (DETSC). The DETSC, a key strategic body, shapes the company's Net Zero Pathway and manages climate-related risks and opportunities.

The CEO's leadership extends to coordinating DETSC members' efforts in assessing climate-related risks and opportunities, with outcomes regularly reported during quarterly Board Meetings. Working closely with the DETSC, the Chief Financial Officer (CFO) oversees the financial dimensions of climate management, ensuring the integration of financial and strategic aspects. Furthermore, the Chief Risk Officer (CRO) directly reports to the CFO, enhancing oversight.

The Chief Strategy & Sustainability Officer (CSO) plays a pivotal role in integrating sustainability into the company's strategy. This involves overseeing the Net Zero Pathway, integrating Scope 3 strategies, and aligning decarbonisation projects with overall corporate strategy.

Moreover, the company disclosed several critical roles that ensure a targeted sustainability implementation:

- Chief Technology Development Officer:** This position focuses on developing low-carbon products and services, driving innovation in reducing customer and downstream Scope 3 GHG emissions.

- **Chief HSE & Operations Excellence Officer:** With expertise in Incitec Pivot's global manufacturing facilities, this role oversees maintenance schedules and implements emission reduction projects. The officer leads efforts to reduce GHG emissions, pivotal to the company's sustainability goals.
- **VP Strategic Project Development:** This role evaluates emerging technologies, assessing their technical and commercial readiness for decarbonisation. It ensures alignment with Incitec Pivot's strategic objectives.
- **Sustainability Manager:** Responsible for climate scenario risk assessment and policy development, this role is vital in shaping Incitec Pivot's response to climate change challenges.

Lastly, to ensure regulatory compliance and seize market opportunities, the Carbon Pricing Steering Committee (CPSC) operates under the Sustainability Manager's guidance. The CPSC objective is to monitor emerging carbon pricing developments, ensuring proactive adaptation. This committee also oversees compliance procedures and advises the DETSC and the Board on relevant compliance requirements and market opportunities.

In essence, this collaborative and comprehensive approach, led by the CEO and supported by specialised roles, seems to position Incitec Pivot on the right pathway to navigate the complex landscape of climate transition, aligning its strategies with the Paris Agreement.

## Management Compensation

Incitec Pivot's 2022 remuneration policy is divided into three key areas, namely Fixed Annual Remuneration, Short-term Incentives (STI), and Long-term Incentives (LTI). Of the three only the STI policy covers sustainability targets among other key performance dimensions, as it follows:

- **Financial Targets:** Comprising 50% of the policy, this segment ensures that financial performance remains a core element of the remuneration structure.
- **Safety Targets:** Allocated 10%, safety targets underscore the company's commitment to a secure and sustainable work environment
- **Strategic Outcomes:** With 30% dedicated to achieving strategic goals that drive business growth and development, divided between manufacturing reliability and individual objectives.
- **ESG Targets:** This component, at 10%, emphasises Incitec Pivot's sustainability aspirations, particularly in terms of climate change and investments in emissions reduction technologies. According to the company, this commitment is pivotal to achieving its 2025 and 2030 climate transition targets.

Furthermore, the STI remuneration extends to a select group of individuals including:

- Chief Executive Officer (CEO)
- Corporate and executive team members
- The President of Strategic Project Development
- Environment/Sustainability manager
- Facilities manager
- Process operation manager

For more detail, in the case of the Managing Director and CEO, STI linked to sustainability targets, accounting theoretically for 10%, achieved a notable 15% weighting in 2022. This increase was attributed to significant progress in emissions reduction projects and key developments especially related to Scope 3 emissions, as detailed in Figure 8.

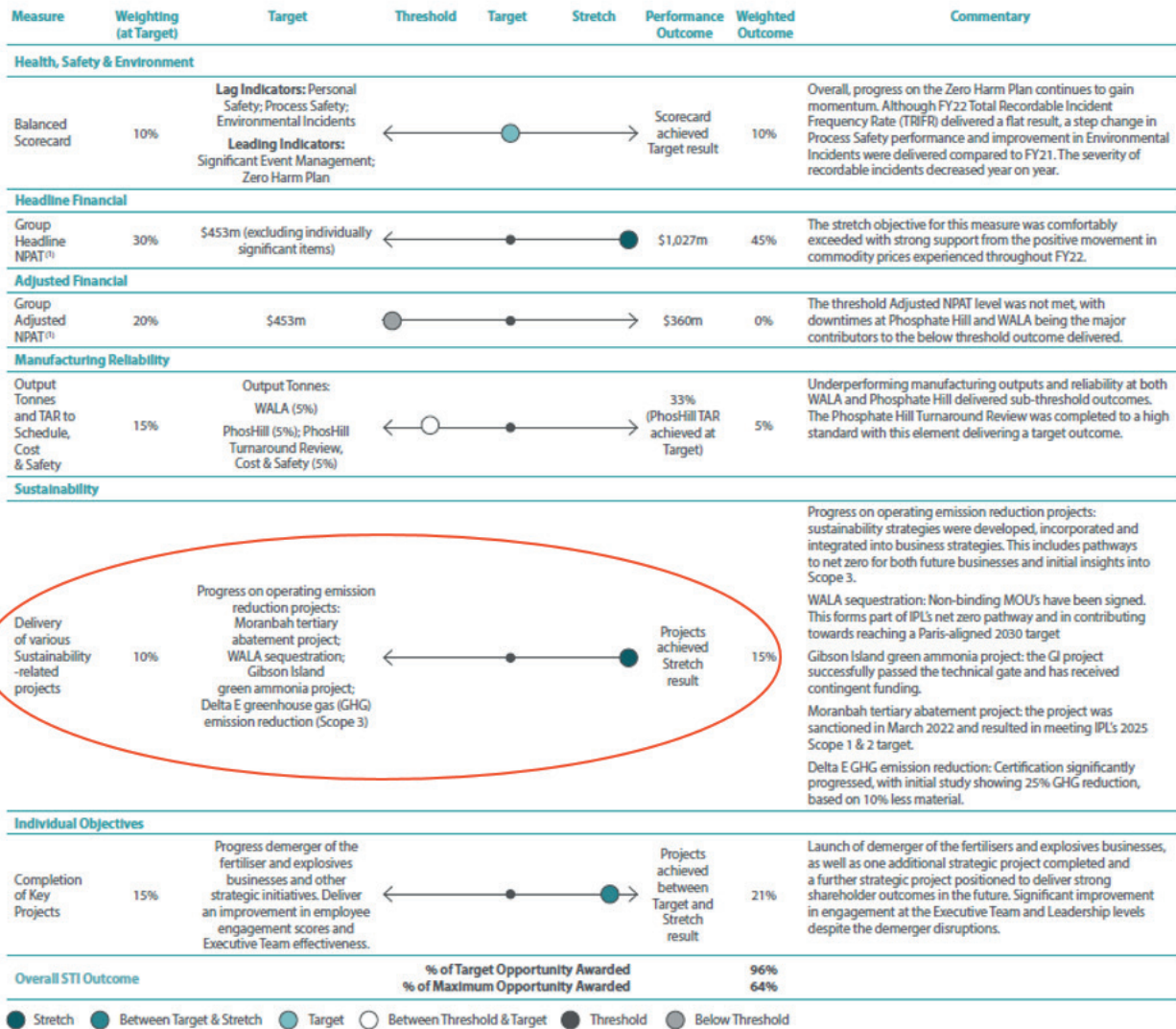
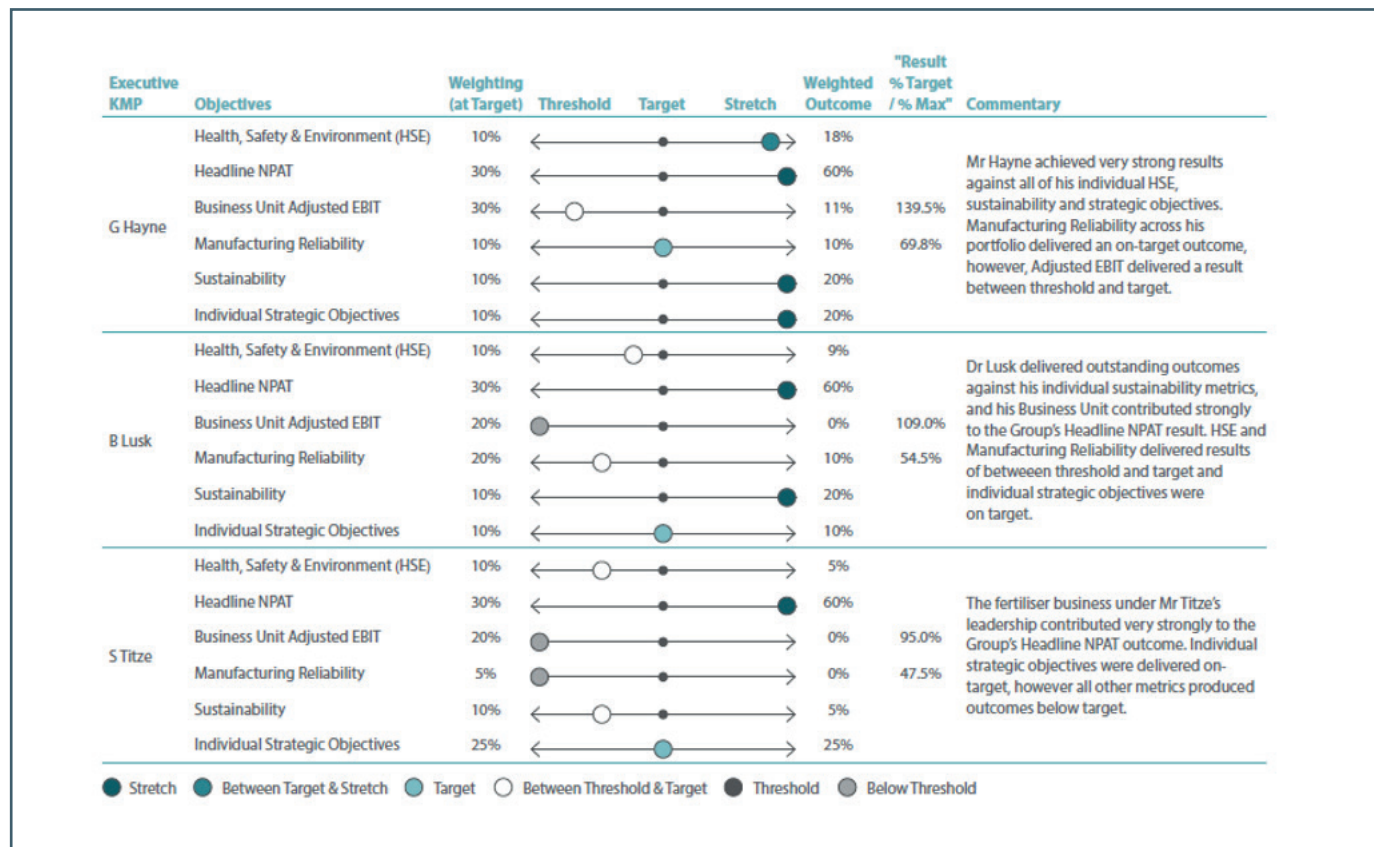


Figure 8: Detailed STI outcomes for the MD&CEO. Source: Incitec Pivot 2022 Annual Report.



The Executive Management Team’s STI remuneration outcomes are detailed separately in Figure 9, further enhancing clarity.



**Figure 8:** Detailed STI outcomes for the MD&CEO. Source: Incitec Pivot 2022 Annual Report.

Consequently, it is important to note that in the short term, referring to 2025 and 2030 targets, Incitec Pivot’s remuneration structure aligns with the 1.5°C transition goal. However, achieving Net

Zero alignment by 2050 would benefit from the introduction of long-term remuneration incentives, fostering a sustained focus on environmental objectives.

## Risk Analysis

### FINANCIAL IMPACT

Incitec Pivot’s strategic approach to managing climate transition risks reflects a structured methodology, overseen by key committees including the IPL Decarbonisation and Energy Transition Steering Committee (DETSC) and IPL Carbon Pricing Steering Committee. Our analysis delves into the significant financial implications arising from external policy drivers, physical impact drivers, and market dynamics.

#### External Policy Drivers<sup>22</sup>

**Carbon Pricing Mechanisms (CPMs):** Incitec Pivot’s exposure to CPMs, notably in Australia and the United States<sup>23</sup>, presents a tangible financial risk. According to the company, under a 1.5°C scenario, a global carbon price ranging from USD 50 to 100 could increase operational and transportation costs until 2025, potentially impacting its revenue. To quantify this impact a USD 50 per tonne of CO<sub>2</sub>e tax is applied by the company to its total Scope 1 emissions. As a result, Incitec discloses a maximum potential financial impact of USD 177 million or AUD 260 million<sup>24</sup>, equivalent to 17.5% of the company’s 2022 EBIT. However, Planet Tracker’s analysis, factoring in Scope 1 and 2 emissions projections, and the Inevitable Policy Response (IPR) carbon pricing for 2030<sup>25</sup> suggests an even higher potential impact, reaching AUD 323 million<sup>26</sup> per year by 2030<sup>27</sup>.

This would constitute 21.8% of the company’s current EBIT. Thus, Incitec Pivot’s assessment might underestimate the impact of potential CPMs, slightly underscoring the urgency for proactive mitigation strategies, despite viewing this risk as “very likely” to be realised in the next one to three years.

#### Physical Impact Drivers<sup>28</sup>

**Extreme Weather Events:** Incitec Pivot faces acute physical risks due to its exposure to cyclones, hurricanes, and typhoons<sup>29</sup>, which could disrupt its operations and supply chains<sup>30</sup>. According to the company, an event akin to the 2019 one-in-one-hundred-year flooding could result in an annual impact of AUD 115 million<sup>31,32</sup>. With contingency plans in place, the financial impact might be reduced to AUD 30 million<sup>33</sup>, still constituting 2% of the company’s 2022 EBIT, even in a 1.5°C scenario. Hence, these risks, considered by Incitec “more likely than not” in the next one to three years, would need robust resilience strategies to safeguard operations and financial stability.

22 Source: Incitec Pivot 2023 CDP Climate Change Response – Section C2.3a.

23 Countries with GHG quota systems.

24 At a closing exchange rate of 0.6821 AUD/USD on the 30th of December 2022. [Source](#)

25 The Inevitable Policy Response to Climate Change (2021)

26 Equivalent to USD 220 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

27 For this calculation Scope 1 and 2 projected emissions stand at 3,506 KTCO<sub>2</sub>e by 2030, to which an average cost of USD 63 per tonne of CO<sub>2</sub>e (64.3% attributed to the United States and 45.2% to Australia’s operations) was applied considering a closing exchange rate of 0.6821 AUD/USD on the 30th of December 2022 [Source](#)

28 Idem 13.

29 See Planet Tracker’s note ‘Stormy Outlook’ which references hurricanes and flooding examples in the US Gulf of Mexico - [link](#)

30 Sites at high risk include their Waggaman, Louisiana ammonia plant (hurricanes), Phosphate Hill ammonium phosphate manufacturing plant (floods), Louisiana, Missouri ammonium nitrate manufacturing plant (floods) and two initiating systems plants located in the USA (electrical storms).

31 Equivalent to USD 78 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

32 This is the sum of the following inferred costs: AUD 95 million implied lost sales margin + AUD 13 million loss from manufacturing plant inefficiencies + AUD 2 million to set up temporary alternative rail loading facility + AUD 3 million road freight + AUD 2 million for other one-off costs. Source: Incitec Pivot 2023 CDP Climate Response.

33 Equivalent to USD 20 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

## Market Impact Drivers<sup>34</sup>

**Transition from Fossil Fuels:** The shift away from thermal coal in the energy sector, under a 1.5oC and 2°C scenarios, poses a substantial market risk for Incitec<sup>35</sup>. According to the company, market changes could potentially decrease its revenue by AUD 307 million annually<sup>36</sup>, or close to 5% of the company's 2022 sales. The company views this risk as “virtually certain” to be realised in the next one to three years. However, Incitec highlights that opportunities would arise from increased demand in the Quarrying and Construction sector, especially in scenarios where natural disasters drive infrastructural rebuilding, with an “about as likely as not” probability.

Thus, a potential additional revenue of AUD 40 million<sup>37</sup> yearly could mitigate some losses based on company estimates. Incitec Pivot recognises these opportunities, but the overall risks still outweigh the gains.

In summary, Incitec Pivot's current trajectory, as indicated by our analysis of the company's climate transition and climate change risks, underscores the pressing need for proactive measures. While the company has sensibly identified potential risks and opportunities, the financial implications of these factors demand a swift and comprehensive response which we are assessing in the next section.

## RISK MANAGEMENT

Following the prior identification and disclosure of main climate transition risks and opportunities, Incitec Pivot has outlined a series of initiatives aimed at risk mitigation and opportunities capitalisation.

### External Policy Risk Management

Incitec Pivot has allocated substantial resources to its risk management efforts in mitigating the financial impact of potential Carbon Pricing Mechanisms (CPMs). Notable expenditures include:

1. **Specialist Roles:** A dedicated allocation of AUD 750,000<sup>38</sup> to support specialised roles focused on carbon pricing management and the development of Incitec Pivot's Net Zero Pathway. According to Incitec, this highlights its proactive approach to understanding and mitigating carbon-related risks.
2. **DET Steering Committee Funding:** A commitment of AUD 800,000<sup>39</sup> made to fund projects crucial to achieving the company's 5% absolute reduction target by 2025. This funding emphasises Incitec Pivot's strategic focus on implementing short-term initiatives aligned with its decarbonisation pathway.
3. **Approved Capex:** An investment of AUD 16 million<sup>40</sup> has been approved in 2022, for the company's strategic projects that enhance its overall resilience and sustainability.
4. **Sustainability Capital:** An additional aggregate of AUD 100-140 million<sup>41</sup> until 2030 for decarbonisation projects has been approved in 2022. This 'Sustainability Capital' represents a cornerstone of the company's capital allocation strategy detailed in Figure 10, highlighting the role of climate-related initiatives in Incitec's long-term financial planning.

34 Source: Incitec Pivot 2023 CDP Climate Change Response – Section C2.3a. and C2.4a

35 Incitec Pivot supplies explosives to the thermal coal mining sector in the United States. Revenues from supply to this market comprised 21% of Incitec's Americas revenue and 4.3% of its total global revenue in 2022.

36 Equivalent to USD 209 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

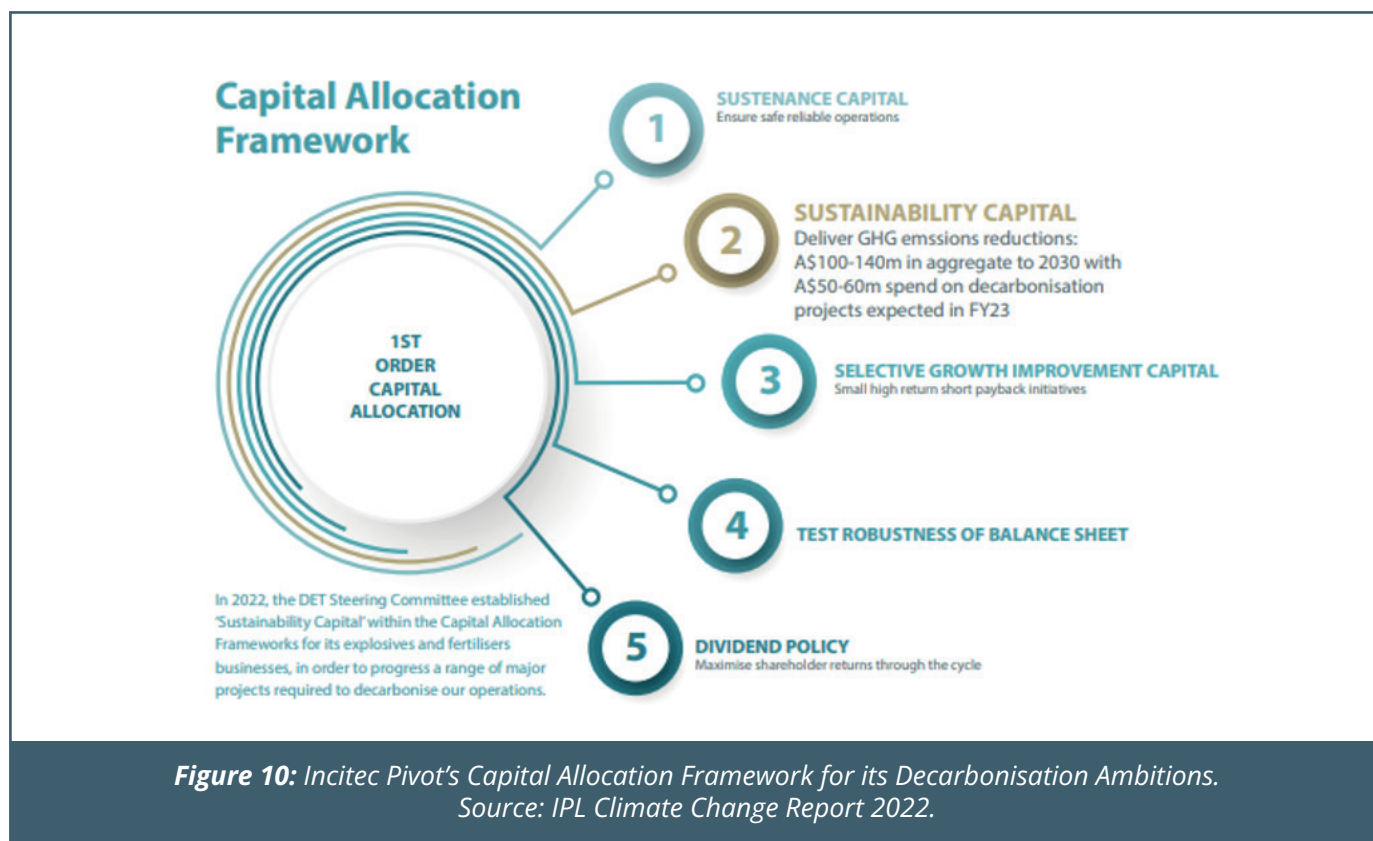
37 Equivalent to USD 28 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

38 Equivalent to USD 511,575 at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

39 Equivalent to USD 545,680 at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

40 Equivalent to USD 11 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

41 Equivalent to USD 68-95 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.



Incitec Pivot has also undertaken strategic actions to enhance resilience without incurring additional costs. These measures include:

- Diverse Supplier Group:** According to the company, Incitec Pivot's diverse supplier base acts as a safeguard, mitigating carbon pricing pass-through risks in the short term.
- Customer Agreements:** Per the company's disclosures its customer agreements are structured to facilitate the smooth pass-through of carbon pricing, where feasible, ensuring financial stability amid evolving regulations
- Domestic Co-location:** Incitec has a strategic co-location of critical products that according to the company, reduces carbon costs associated with transportation, enhancing operational efficiency and minimising environmental impact.
- Supplier Diversification:** The company undergoes ongoing efforts to diversify its suppliers, especially in anticipation of the potential uneven application of carbon pricing post-2030, to provide additional resilience against volatile costs associated with increase regulations.

In summary, Incitec Pivot's strategic allocation of resources and emphasis on resilience measures exemplify the company's commitment to sustainable growth and operational stability, in alignment with a 1.5°C warming scenario.

### Physical Impact Management

According to the company's disclosures, Incitec Pivot, in response to the rare 2019 flooding event at Phosphate Hill, has enhanced its risk management strategies to address potential physical impacts. Building upon an exhaustive review, the company invested up to AUD 4 million<sup>42</sup> in essential infrastructure, including on-site and contingency storage, along with temporary logistics equipment. According to the company, an internal audit by KPMG validated these measures, yielding a 'satisfactory' rating.

42 Equivalent to USD 3 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

Key mitigation responses encompass:

1. **Enhanced Contingency Plans:** Contingency plans have been developed and improved, enabling Incitec Pivot to prepare for and manage rail interruption and other physical impacts effectively, both minor and major.
2. **Strategic Market Diversification:** By diversifying geographically and across customer segments, Incitec Pivot has reduced the financial impact of single-point risks, enhancing the company's overall resilience.
3. **Resilient Infrastructure and Safety Measures:** Investments in resilient infrastructure, including compliance with stringent wind codes and meticulous safety and evacuation plans, aim to ensure operational continuity even in the face of extreme weather events.
4. **Technological Advancements:** Incitec Pivot highlights investing in technology to increase product shelf life, to align products with market demands and bolster resilience against disruptions.
5. **Legal and Financial Safeguards:** The company included force majeure clauses in agreements where applicable, providing legal protection in unforeseen circumstances, and registered a broad range of insurance policies across the Group, offering financial safeguards against various risks.
6. **Weather Monitoring:** Site Managers in high-risk locations engage in diligent weather monitoring, enabling proactive responses to potential disruptions.

Incitec Pivot's holistic approach to physical impact management seems to highlight its commitment to operational resilience, ensuring the company's ability to adapt in the face of unpredictable climate challenges.

## Market Impact Management

Incitec Pivot faces a significant climate transition risk associated with its exposure to the thermal coal market, primarily within its North American operations. This sector represented 21% of Incitec's Americas revenue and 4.3% of its global revenues in 2022. To address this challenge and capitalise on potential opportunities, Incitec intends to diversify into the Base & Precious Metals and Quarry & Construction sectors, constituting currently 36% and 42% of Incitec's Americas revenues, respectively.

Additionally, Incitec aims to capitalise on other innovative initiatives, including carbon dioxide capture for urea production and expanding into the urea-based Diesel Exhaust Fluid (DEF) market. The company sees an AUD 30 million<sup>43</sup> CAPEX investment in DEF urea as an amplifier of Incitec's revenue streams, mitigating to some extent its risks associated with thermal coal market fluctuations.

In summary, Incitec Pivot's risk management strategies demonstrate agility and adaptability. However, Planet Tracker notes that a clear path to mitigate the company's thermal coal market exposure, in alignment with a 1.5°C trajectory, remains uncertain.

43 Equivalent to USD 20 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.



## Strategic Assessment

### CAPITAL ALIGNMENT

Incitec Pivot has set ambitious climate transition objectives. In 2021, the company accelerated its 5% absolute GHG reduction target, aiming to achieve this milestone by 2025. Moreover, Incitec Pivot has outlined a medium-term target of between 25% and 42% reduction by 2030 and has committed to Net Zero by 2050. Oversight of these initiatives falls under the IPL Decarbonisation and Energy Transition Steering Committee, hinting at Incitec's strategic focus on Paris-aligned targets.

In the pursuit of its operational decarbonisation, the company focuses on specific projects that are expected to drive substantial emissions reductions. Bear in mind that these mitigation expectations hinge on the projects' feasibility and their GHG abatement potential<sup>44</sup>. Accordingly, the installation of tertiary N<sub>2</sub>O abatement at the Moranbah facility, set to begin in 2024, will remove according to the company approximately 200 KTCO<sub>2</sub>e annually<sup>45</sup>, translating into a 5% reduction against Incitec's 2020 baseline. It is of note, however, that while the capital was approved for installation in 2024, the quantity is not disclosed at the date of this report. Concurrently, Incitec Pivot is advancing a Carbon Capture Facility (CCF) at the Dyno Nobel Waggaman, Louisiana site, targeting a 22% emissions reduction, while its development remains subject to the final investment decision. Furthermore, the Gibson Island Green Ammonia project, if greenlit, could slash emissions by 12% for Incitec Pivot against its 2020 baseline. Notably, the project progressed to the FEED stage in 2022 and secured an AUD 14 million<sup>46</sup> ARENA grant.

Furthermore, while the company does not disclose its capital allocation per project<sup>47</sup> it does present a dedicated AUD 28 million or 6.4% of its capital allocation to Sustainability Capex in 2022<sup>49</sup>. Beyond this, Incitec Pivot has also committed an aggregated investment between AUD 100 and 140 million<sup>50</sup> to decarbonisation projects by 2030. Furthermore, around 50% of this investment (i.e., AUD 50 to 60 million<sup>51</sup>) is expected to be spent in FY2023.

As for Incitec's Scope 3 GHG reduction opportunities, the company's engagement initiatives extend to both customers<sup>52</sup> and suppliers<sup>53</sup>. Accordingly, the company incentivises the adoption of Enhanced Efficiency Fertilizers (EEFs) among farmers as a key mitigation strategy, aiming to boost sales of these low-emission products. Simultaneously, Incitec collaborates with a relatively low number of suppliers, encouraging the adoption of low GHG technologies, including green hydrogen, CCS, and alternative feedstocks. Although exact investment figures are not disclosed, Incitec's initiatives show the ambition of driving emissions reductions throughout its value chain.

In summary, Incitec Pivot's climate-aligned capital initiatives demonstrate a solid commitment to its climate transition, with financial commitments and strategic projects underway. However, a more detailed connection between mitigation projects and transition investments would enhance transparency and align the company's efforts more closely with a 1.5°C target by 2030.

44 Which in some cases still has to be proved in practice.

45 Starting with 2025.

46 Equivalent to USD 14 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

47 Which if all of the above reach completion could potentially mitigate up to 39% of Incitec Pivot emissions against its 2020 baseline.

48 Equivalent to USD 19 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

49 As stated in Incitec Pivot's 2022 Annual Report page 24.

50 Idem 39

51 Equivalent to USD 34 to 41 million at a closing exchange rate of 0.6821 AUD/USD on the 30th of Dec 2022.

52 'Consumer use of fertilisers' represented 52% of Incitec's Scope 3 in 2022.

53 'Purchased goods' represented 32% of Incitec's Scope 3 in 2022.



## TRANSITION APPRAISAL

Planet Tracker conducted an analysis of Incitec's Climate Transition strategy, assessing its GHG emissions evolution from 2020 to 2022 and evaluating its alignment with the Paris Agreement. In 2022, Incitec Pivot updated its GHG emissions disclosures and Climate Transition ambitions, to align them with Science Based Targets. Its revised plan outlines a GHG reduction pathway from a revised 2020 baseline, with goals including a 5% emissions reduction by 2025, a path toward a >42% reduction by 2030, and a Net Zero Ambition by 2050.

To achieve these ambitious targets, Incitec Pivot must reduce its Scope 1, 2, and 3 GHG emissions from 12,936 KTCO<sub>2</sub>e in 2022 to 8,058 KTCO<sub>2</sub>e by 2030, in order to align with a 1.5°C science-based pathway. This equates to a 38% absolute reduction from 2022 or a 42% absolute reduction from 2020<sup>54</sup>. However, based on the company's projected emissions trend, Incitec's emissions are estimated to decrease only to 9,899 KTCO<sub>2</sub>e by 2030, reflecting a 23% absolute decline, and leaving a 1,841 KTCO<sub>2</sub>e gap which requires further mitigation.

In assessing Incitec's commitment to bridging this transition gap, an analysis of the company's Policies, Governance, and Risk Management was conducted. The company's customer engagement strategies display commendable initiatives, covering 91% of Incitec's downstream 'customer use' category, and 53% of its total Scope 3 emissions in 2022. However, concerns arise regarding the company's affiliations with specific policies and trading organisations that may convey mixed messages about alignment with the Paris Agreement. Furthermore, supplier engagement initiatives appear to address a limited number of suppliers which only represent 4% of supplier-related Scope 3 emissions. Notably, Incitec Pivot's Climate Risk Assessment and Management strategy provides a sensible overview and risk mitigation plan, supported by allocated investments. This holistic approach underpins the company's commitment to managing key risks and capitalising on potential opportunities.

In conclusion, Incitec's report demonstrates a credible commitment to achieving its transition goals and driving transformation across its value chain, especially downstream. Moreover, with investments in its Climate Transition plan and a relatively narrow gap between projected emissions trends and recommended Science Based Targets, Incitec Pivot appears poised to align with a 1.5°C pathway by 2030.

## **Planet Tracker concludes that Incitec Pivot will align with a 1.5°C warming scenario by 2030<sup>55</sup>.**

### **End note**

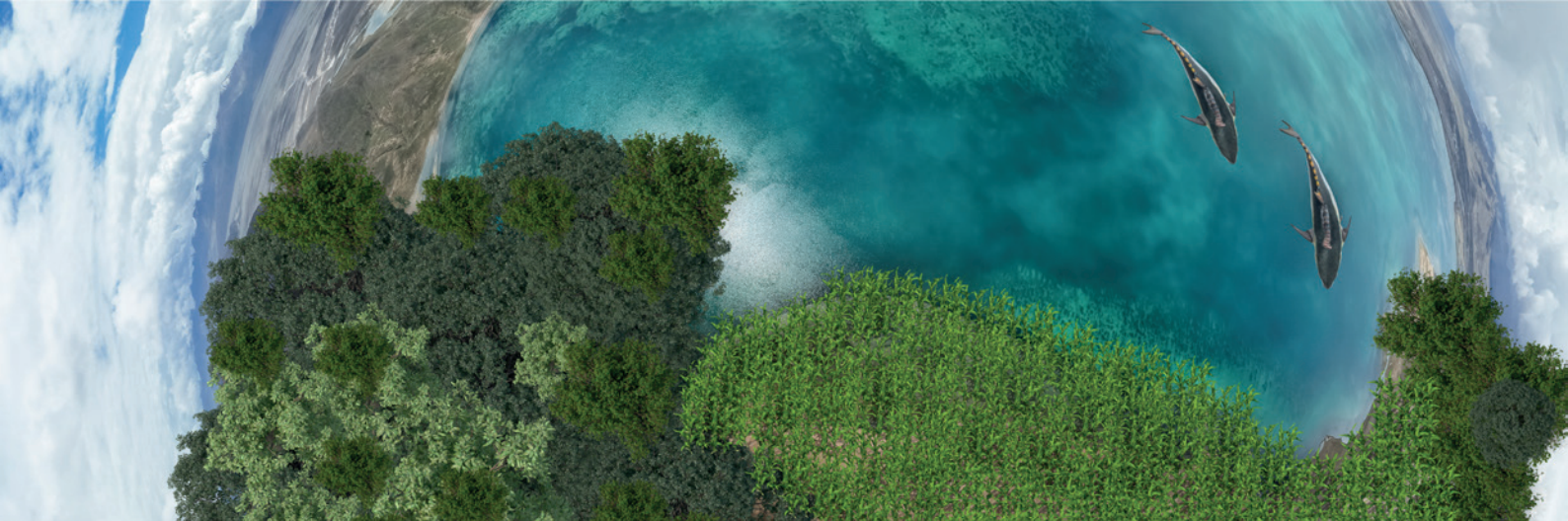
*A draft of this report was sent to Incitec Pivot Limited on the 30th of October 2023. The company answered our feedback request on the 15th of November 2023 stating they had no additional comments or input at this time.*

54 In this case the 42% reduction in total GHG emissions is used as the "standard" absolute decrease of the company's total GHG footprint to align with the Paris Agreement by 2030. By "standard" we refer to the generic mitigation ratio suggested by the SBTi for those companies that are not part of a specific sectoral pathway.  
55 Based on the data accessed by Planet Tracker until October 2023.

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## ABOUT PLANET TRACKER

Planet Tracker is a non-profit financial think tank producing analytics and reports to align capital markets with planetary boundaries. Our mission is to create significant and irreversible transformation of global financial activities by 2030. By informing, enabling and mobilising the transformative power of capital markets we aim to deliver a financial system that is fully aligned with a net-zero, nature-positive economy. Planet Tracker proactively engages with financial institutions to drive change in their investment strategies. We ensure they know exactly what risk is built into their investments and identify opportunities from funding the systems transformations we advocate.

## PLANET TRACKER'S CLIMATE TRANSITION ANALYSIS – CHEMICAL COMPANIES

As part of its material system transition programme, Planet Tracker is examining the transition plans of the chemical companies covered by the [Climate Action 100+ list](#). Our goal is to provide investors with the key information and analysis they need to be able to hold chemical companies to account for the quality of their climate transition plans and their execution against those plans, and to encourage them to use this information to engage effectively with these companies with the ultimate aim of driving the sustainable transformation of the chemical sector.

## ACKNOWLEDGEMENTS

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