Incitec Pivot Ltd (IPL)

Climate Transition Analysis

Climate Action 100+ Focus Company

Overall Assessment

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

Planet Tracker assessed Incitec Pivot's Climate Transition strategy, focusing on its updated 2022 targets to align with Science Based Targets: a 5% emissions reduction by 2025, 25% by 2030 (with a potential pathway of >42% for Scope 1 and 2), and Net Zero by 2050. Historical emissions changes (- 21.9% from 2020 to 2024) extrapolated forward suggest strong progress, with emissions projected to decline by 27% from 2024 levels and 43% from 2020 levels by 2030, supporting its alignment with a 1.5°C pathway. However, while Incitec Pivot demonstrates credible initiatives, such as technological innovation and strategic partnerships, certain transparency gaps remain. For example, there is limited disclosure on the emissions coverage of its supplier and customer engagement initiatives. Also, the company does not quantify financial risks or provide sufficient detail on the costs associated with its climate related risk management plans, leaving investors to make independent calculations. Furthermore, the company's cautious approach to climate policy, including misaligned industry association memberships, also weakens its credibility. Despite these challenges, Incitec Pivot's governance framework, strategic investments, and decarbonisation-linked incentives paired with its positive GHG reduction trend, support the progress towards achieving its 2030 climate goals.

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.

Climate Alignment

- According to Planet Tracker, by 2030 the majority of Incitec's GHG emissions will come from Scope 3 activities with upstream and downstream emissions accounting for 49.5% and 35.5% of the total, respectively.
- Historical trends extrapolated forward indicate a strong progress, with emissions projected to decline by 43% from 2020 levels by 2030, suggesting alignment with a 1.5°C warming scenario.

Policy and Governance

- In its climate related policies and engagement, the company has disclosed specific strategies, next steps, and key enablers to reduce Scope 3 emissions, but it lacks details on the relative emissions coverage of these initiatives, as well as concrete steps in dealing with misaligned industry association memberships.
- Incitec Pivot's remuneration structure aligns executive pay with its Net Zero goals by combining short-term and long-term rewards for immediate climate action and sustained decarbonisation progress.

Risk Analysis

- The assessment of the company's climate transition risks and opportunities revealed a detailed qualitative analysis. However, despite its examples and highlights of potential impacts, the company does not disclose the overall financial value at risk.
- Incitec's proactive approach to managing climate risks demonstrates its readiness to deal with potential impacts. Still, disclosures on overall costs would improve transparency and investor understanding.

Strategy Assessment

- Incitec Pivot's climate-aligned capital initiatives include several strategic projects underway and are commendable. However, greater clarity on the total financial cost necessary by 2030 to achieve its environmental goals would enhance its investors' visibility.
- Incitec Pivot's Climate Transition plan is supported by credible initiatives, strategic investments, and management incentives tied to decarbonisation. While certain gaps remain, the company's efforts position it well to align with a 1.5°C pathway by 2030.

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Company Overview

Incitec Pivot Ltd (IPL:AU), a global chemicals manufacturer and supplier, operates two industry-leading divisions: Dyno Nobel (DN), a global leader in explosives, and Incitec Pivot Fertilisers (IPF), a major supplier of fertilisers along Australia's east coast. Between 2020 and 2024 the group has derived, on average, 52% of its annual revenue from Agricultural Fertiliser and Chemicals activities, with the remaining 48% coming from its Explosives division, as illustrated in Figure 1.

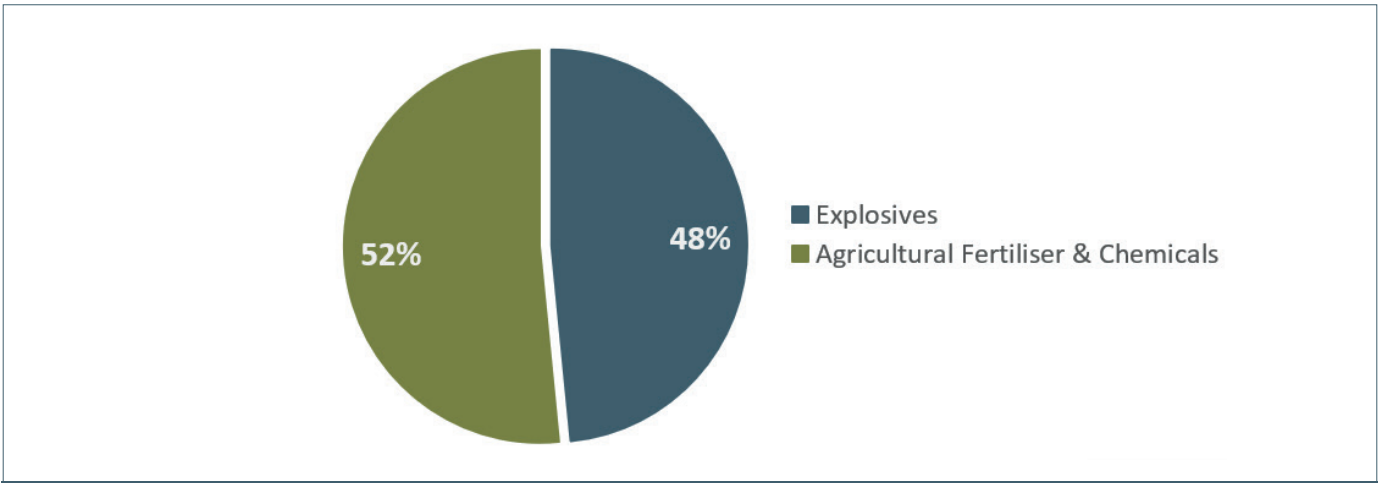

Figure 1: *Revenue (%) - Breakdown by Business Segments (5Y Avg.). Source: Incitec Pivot Annual Reports 2020-2024 & Planet Tracker's calculations.*

Incitec Pivot operates across five key markets: Australia, the United States, Canada, Turkey, and France[1]. The majority of its AUD 4.7 billion (or USD 3.1 billion[2]) annual average revenue over the past five years was generated in Australia and the United States, as presented in Figure 2.

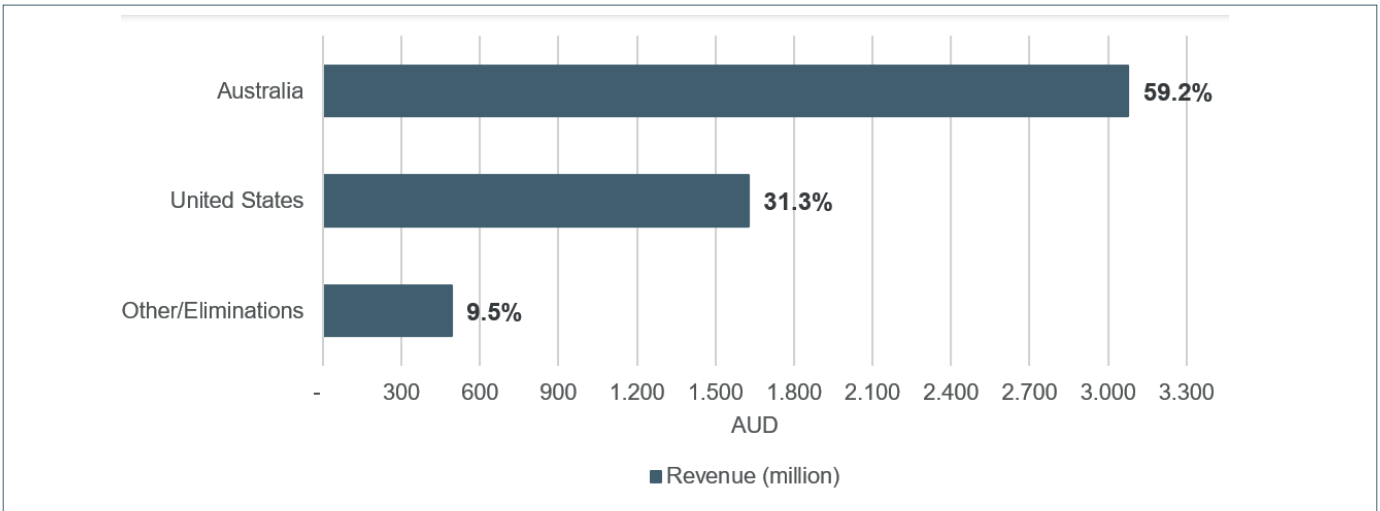

Figure 2: *Revenue (%)- Breakdown by Geography (5Y Avg.). Source: Incitec Pivot Annual Reports 2020-2024*

1 See Annex I for more details.

2 Equivalent to USD 3.1 billion at an average exchange rate of 0.6598 AUD/USD in 2024. Source: Link

Moreover, 95.3% of Incitec Pivot's fixed assets are concentrated in these two countries, highlighting their strategic importance, as shown in Figure 3.

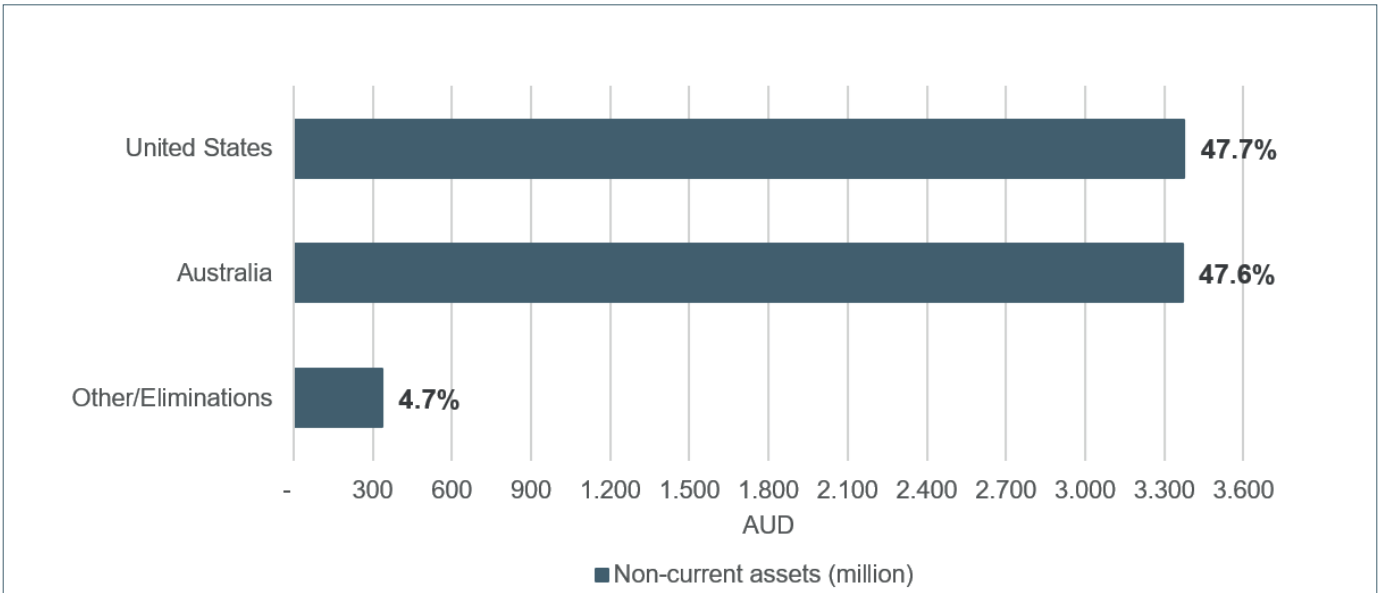

Figure 3: *Non-current assets[3] (%)- Breakdown by Geography (5Y Avg.).*
Source: Incitec Pivot Annual Reports 2020-2024.

It can therefore be assumed that Incitec Pivot's primary exposure to climate transition risks and opportunities, as well as relevant policies, is predominantly focused on these two countries. Additionally, the company's risks and opportunities from addressing climate-related challenges are likely to arise from developments in the Agricultural Fertiliser and Chemicals sector, as well as the Explosives industry.

3 Usually referred to as Fixed Assets.

Climate Alignment

EMISSIONS INVENTORY

In its most recent greenhouse gas (GHG) emissions disclosures[4], Incitec Pivot reported a total footprint of 10,929 $KTCO_2e$. A breakdown of the company's 2024 emissions reveals that Scope 1 contributed 20.6% of the total, with Scope 2 accounting for 2%. Most of emissions, 77.4%, originated from Scope 3 activities. Within this category, 37.7% can be attributed to upstream activities[5], while downstream activities[6] accounted for 39.7% of the total footprint. Notably, the principal contributors to emissions include downstream "Consumption," which represents 38.8% of total emissions, and upstream "Purchased Goods," contributing 31.4%, as presented in Figure 4.

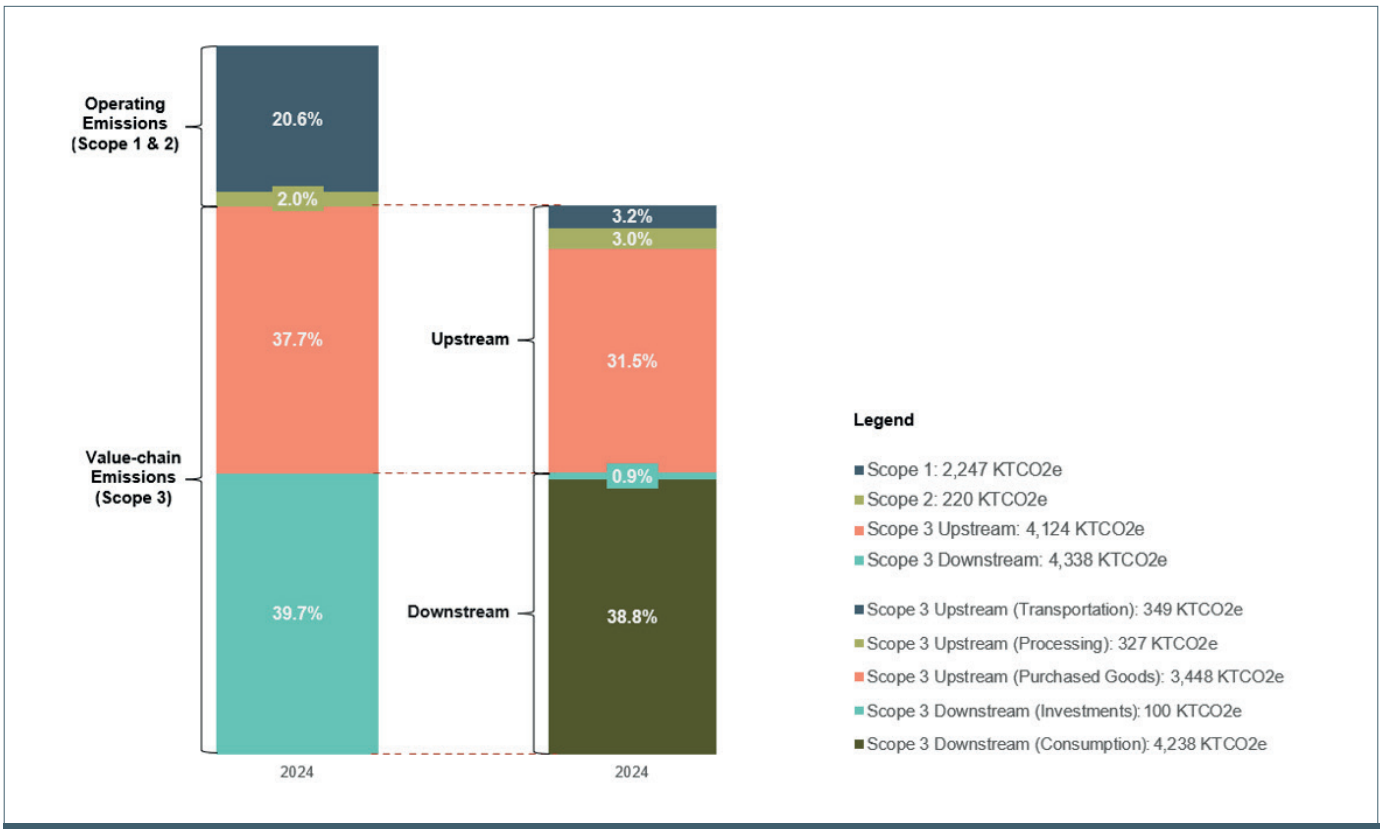

Figure 4: *Value Chain GHG Emissions (2024) - Percentage Breakdown by Scope. Source: Incitec's 2023 and 2024 Climate Change Reports.*

The following sections examine the evolution of the company's GHG emissions from 2020 to 2024 and their alignment with Incitec Pivot's Climate Transition targets.

4 Presented in its Climate Change Report 2024.

5 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, and "Employees Commuting" and "Business Travel" emissions.

6 Scope 3 downstream emissions include: (1) Consumption - covering emissions from the "Use of sold products" associated with the end use of fertilisers (90%), explosives (7%) and industrial chemicals (3%) sold by Incitec whether the end user is a direct customer or an external distributor; (2) Investments – accounting for the emissions associated with Incitec's assets that are owned via joint ventures but are not operated by the company.

EMISSIONS TRENDS AND TARGETS

Between 2020 and 2024, Incitec Pivot achieved a 21.9% absolute reduction in total GHG emissions, declining from 13,985 $KTCO_2e$ in 2020 to 10,929 $KTCO_2e$ in 2024, as shown in Table 1.

Table 1: *Scope 1, 2, and 3 CO_2e evolution 2020-2024. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports and Planet Tracker Calculations*

Scope	2020 ($KTCO_2e$)	2024 ($KTCO_2e$)	Compounded annual change % (2020-2024)	Absolute Change % (2020-2024)
Scope 1 GHG Emissions	3,646	2,247	-11.4%	-38.4%
Scope 2 GHG Emissions (location-based)	345	220	-10.4%	-36.3%
Scope 3 Upstream GHG Emissions[7]	4,252	4,124	-0.7%	-2.6%
Scope 3 Downstream GHG Emissions	5,759	4,338	-6.8%	-24.7%
Scope 1, 2 and 3 GHG emissions	**13,985**	**10,929**	**-6.0%**	**-21.9%**

This overall reduction reflects decreases across all scopes: Scope 1 and 2 emissions fell by 38.4% and 36.3%, respectively (Figures 5 and 6). While upstream Scope 3 emissions decreased marginally by 2.6% (Figure 6), downstream Scope 3 emissions recorded a significant reduction of 24.7% (Figure 7).

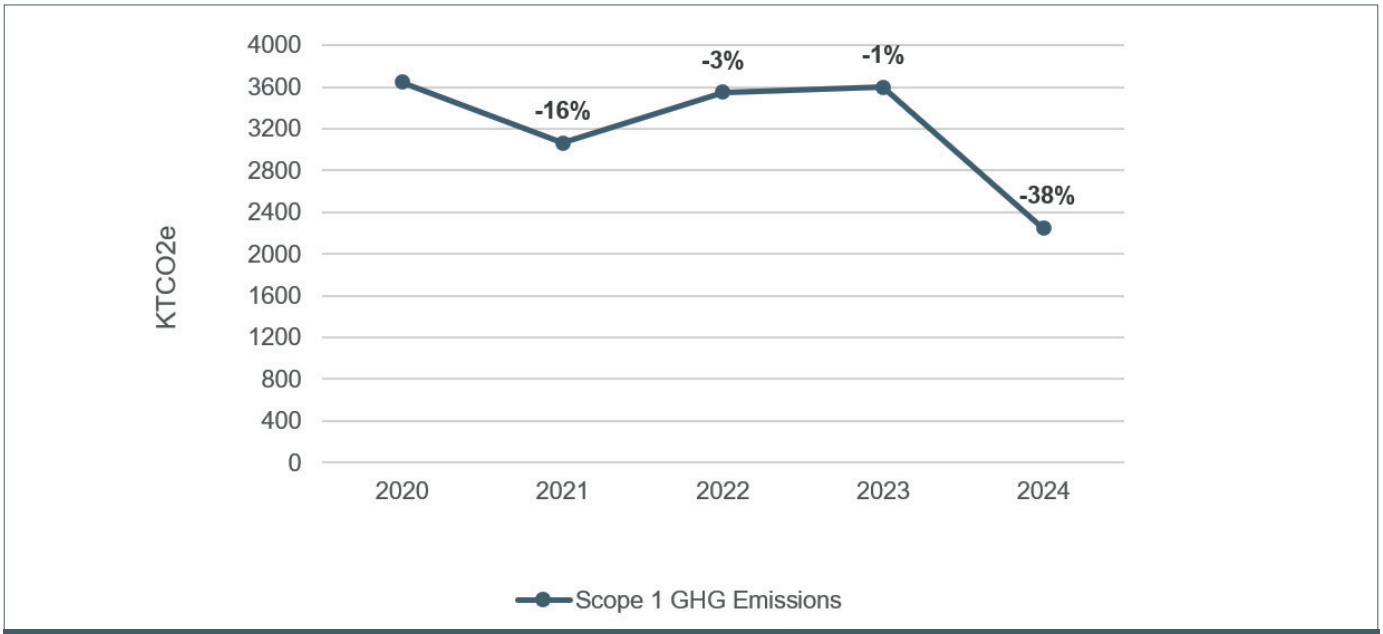

Figure 5: *Scope 1 CO_2e evolution 2020-2024. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports and Planet Tracker Calculations.*

7 The 2020, 2021 and 2022 scope 3 emissions have been restated due to an external review which aligned Incitec's calculation methodology more fully with the GHG Protocol, according to the company. This has resulted in an increase due to the use of LCA based 'cradle-to-gate' emissions factors for purchased products and the inclusion of emissions values for categories not previously included, such as business travel and employee commuting.

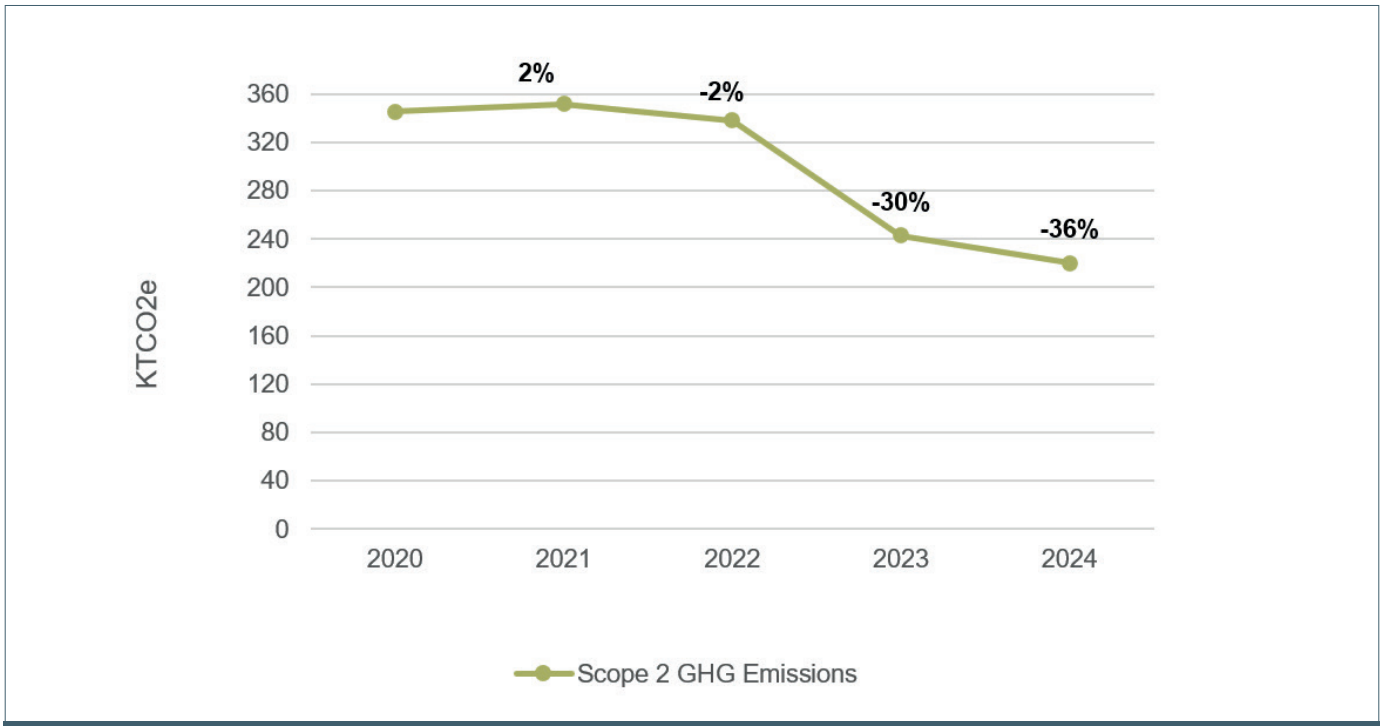

Figure 6: *Scope 2 CO_2e evolution 2020-2024. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports and Planet Tracker Calculations.*

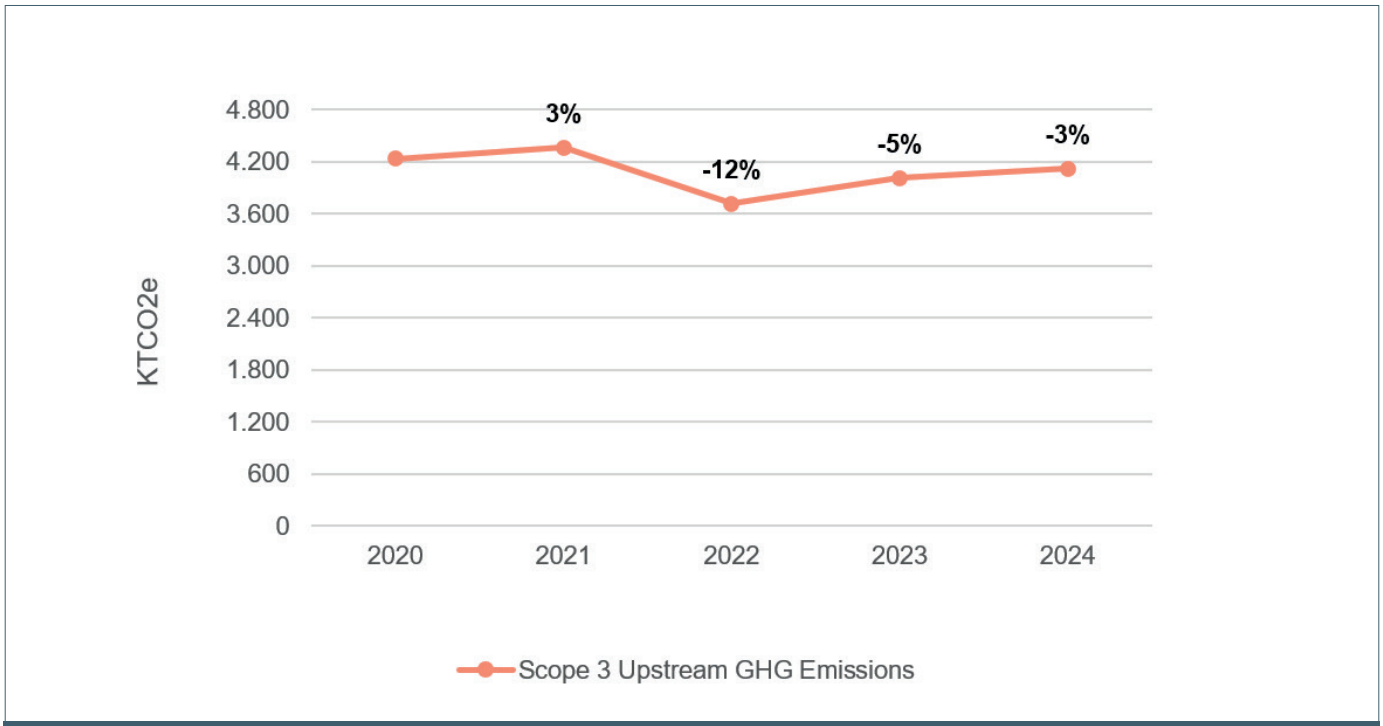

Figure 7: *Scope 3 Upstream CO_2e evolution 2020-2024. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports and Planet Tracker Calculations.*

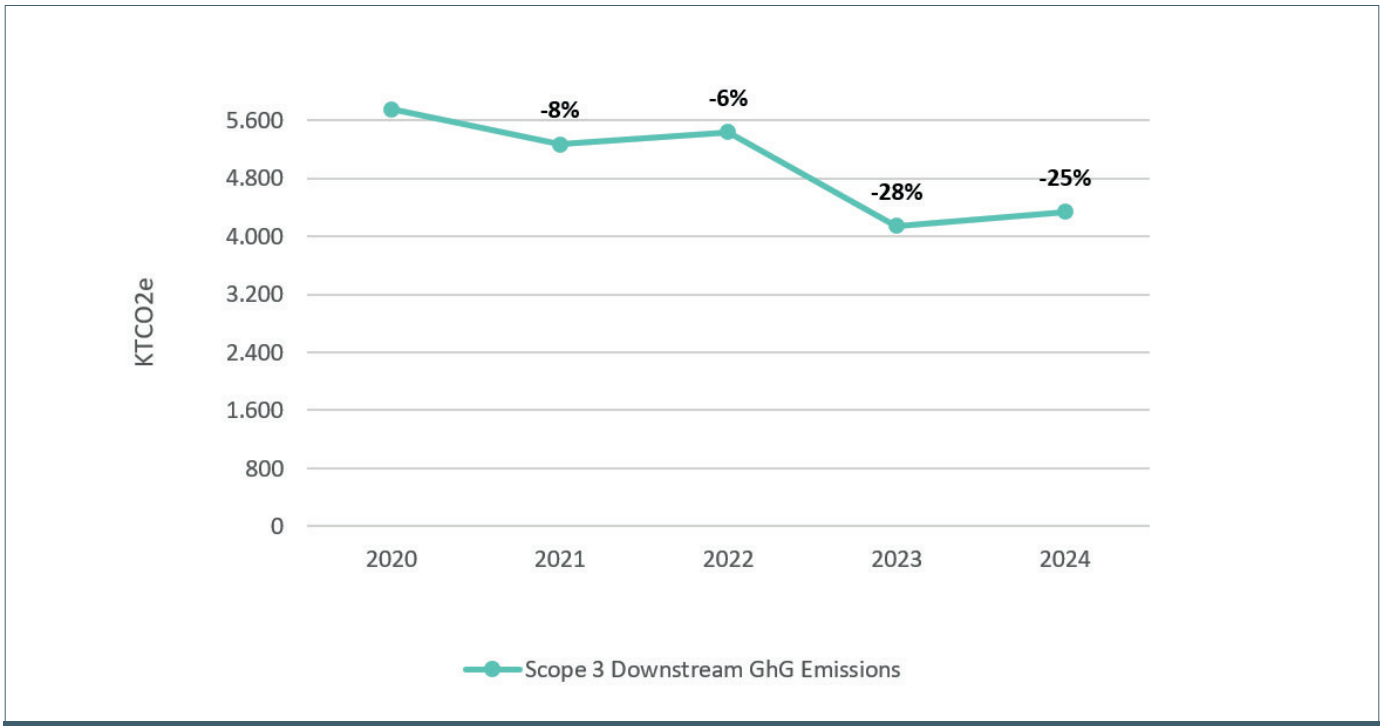

Figure 8: *Scope 3 Downstream CO_2e evolution 2020-2024. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports and Planet Tracker Calculations.*

To evaluate the company's alignment with its transition goals, an extrapolation model was employed, projecting Scope 1, 2, and 3 emissions to 2030 based on the annual emissions change rate observed from 2020 to 2024. During this period, Incitec Pivot recorded an 8% annual revenue growth rate. This exercise assumes that revenue growth will continue alongside emissions reductions, highlighting the potential for economic expansion without a proportional increase in the company's carbon footprint. While the model accounts for the sale of the Waggaman, Louisiana plant, it does not incorporate the company's future decarbonisation strategy at this point. The objective is to illustrate the general direction of Incitec Pivot's GHG emissions rather than predict precise year-on-year trends.

Based on this extrapolation, Scope 1 and 2 emissions are forecasted to decline to 1,088 $KTCO_2e$ and 112 $KTCO_2e$, respectively, by 2030. Upstream Scope 3 emissions are expected to reach 3,963 $KTCO_2e$ by 2030, while downstream Scope 3 emissions projected at 2,836 $KTCO_2e$, resulting in total emissions of 7,998 $KTCO_2e$ by 2030. In this scenario, 49.5% of Incitec's total emissions would come from upstream Scope 3 activities, followed by 35.5% from downstream Scope 3, 13.6% from Scope 1, and 1.4% from Scope 2, as illustrated in Figure 9.

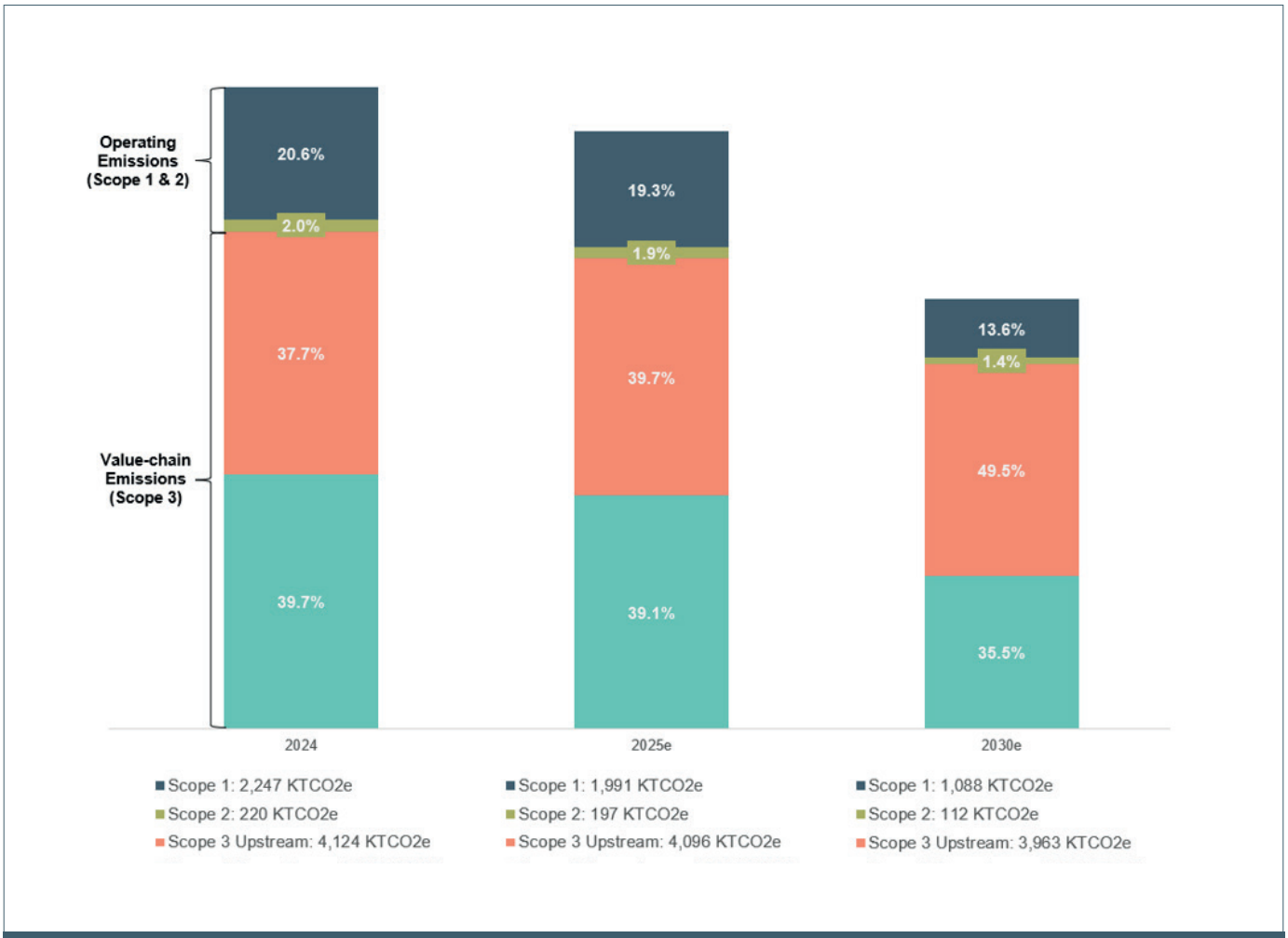

Figure 9: *Value Chain GHG Emissions (2025e & 2030e) – Percentage Breakdown by Scope. Source: Incitec Pivot's 2023 and 2024 Climate Change Reports; Planet Tracker Calculations.*

In 2022, Incitec Pivot updated its Climate Transition ambition, setting a long-term goal of achieving Net Zero by 2050. Interim targets include a 5% absolute reduction in GHG emissions by 2025 (from a 2020 baseline) and a 25% absolute reduction by 2030. The company also indicated a potential pathway to achieving a greater than 42% absolute reduction in Scope 1 and 2 by 2030[8].

According to Planet Tracker, alignment with a 1.5°C science-based pathway would require Incitec Pivot to reduce Scope 1, 2, and 3 GHG emissions by 42% by 2030[9], based on the 2020 baseline. This translates to reducing the company's current footprint of 10,929 $KTCO_2e$ to 8,111 $KTCO_2e$ by 2030, or a 26% reduction from 2024 levels. Based on historical trends, Incitec Pivot's emissions are projected to decline to 7,998 $KTCO_2e$ by 2030, reflecting a 27% absolute reduction from 2024 GHG emissions level and a 43% from a 2020 baseline. Consequently, these trends demonstrate significant progress, suggesting a high likelihood of achieving alignment with a 1.5°C pathway by 2030.

8 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.

9 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.

MITIGATION APPROACH

Incitec Pivot has disclosed a detailed breakdown of its emissions sources and potential decarbonisation pathways. For Scope 1 and 2 GHG emissions, the company provided a restated 2020 operational emissions[10] profile for its two main business segments, Dyno Nobel (DN) and Incitec Pivot Fertilisers (IPF), categorised by site and source, as shown in Figure 10. It also outlined potential transition pathways for these segments, presented in Figure 11.

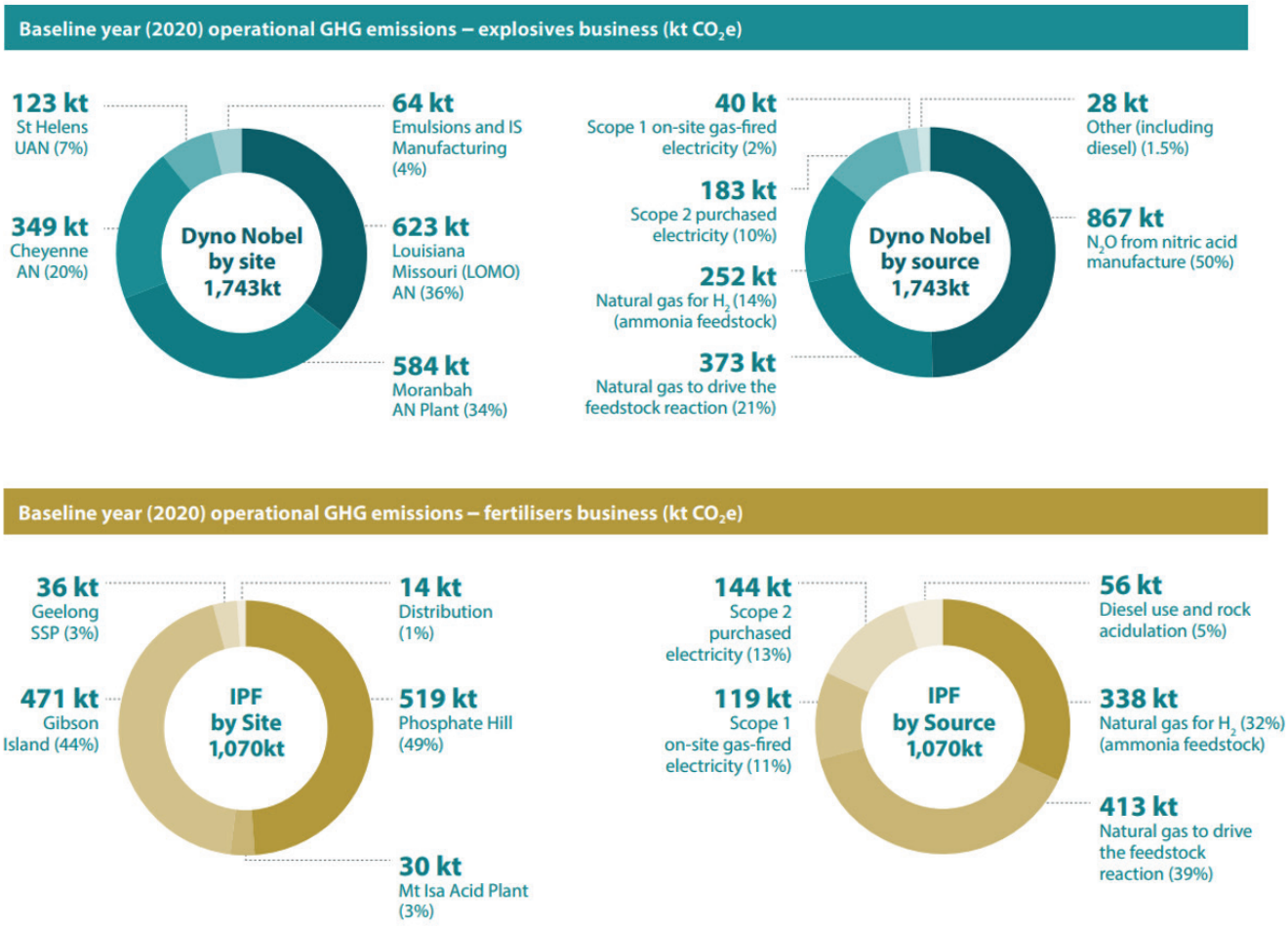

Figure 10: *Restated Operational GHG Emissions (2020) - Breakdown by Site and Source. Source: Incitec Pivot's 2024 Climate Change Reports.*

10 The 2020 baseline has been adjusted for the sale of the Waggaman, Louisiana plant, to 2,813,273 TCO_2e.

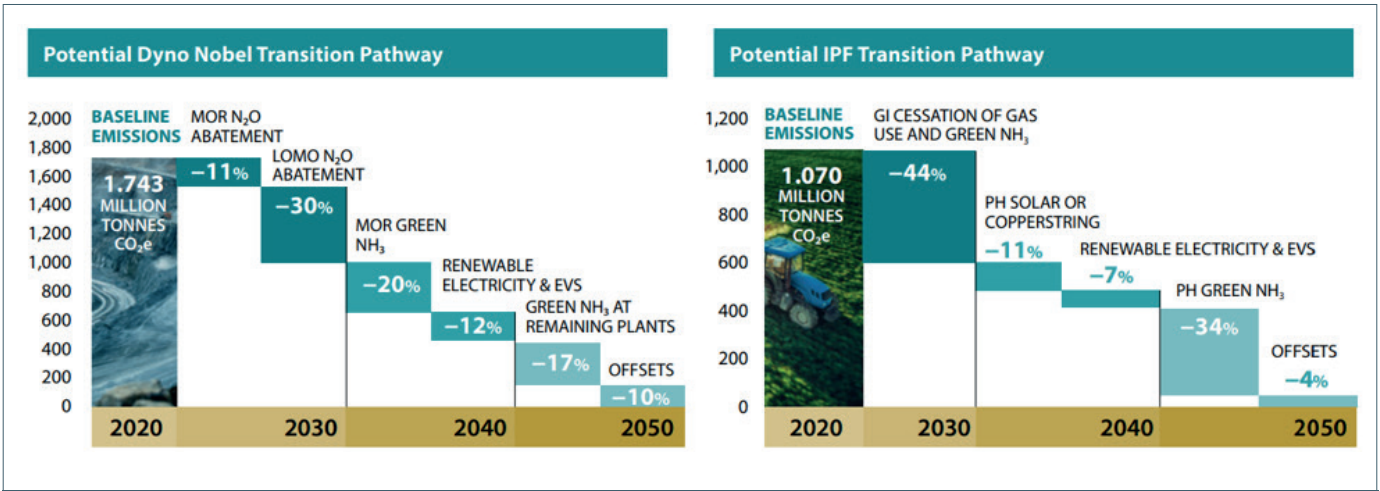

Figure 11: *Potential Transition Pathways for Operational Emissions.*
Source: Incitec Pivot's 2024 Climate Change Reports.

Similarly, the company disclosed a breakdown of its Scope 3 emissions by segment, as shown in Figure 12, alongside strategies, next steps, and key enablers for reducing emissions across various categories, detailed in Table 2.

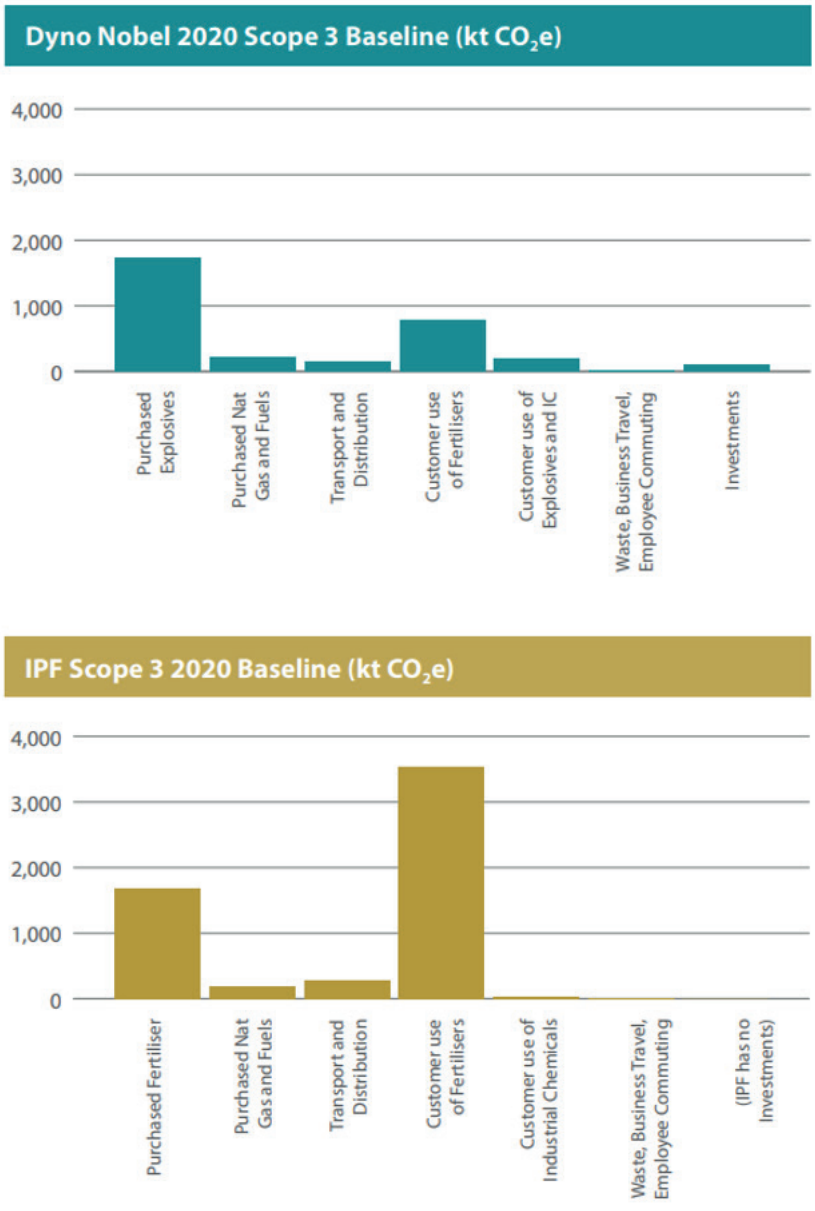

Figure 12: *Scope 3 GHG Emissions (2020) - Breakdown by Business Segment and Category. Source: Incitec Pivot's 2024 Climate Change Reports.*

Table 2: *Incitec Pivot's Scope 3 GHG Categories and Mitigation Strategy. Source: Incitec Pivot's 2024 Climate Change Report.*

Dyno Nobel Scope 3 Categories & Mitigation Strategies			
Category	**Strategy**	**Next Steps**	**Key enablers**
PURCHASED GOODS	Source explosives from low GHG manufacturers: WALA sale and offtake agreement will lower Scope 3.	Engage with suppliers to replace average cradle-to-gate Life Cycle Assessment (LCA) emission factors (EFs) with supplier specific EFs and determine supplier decarbonisation plans.	The adoption of low GHG technologies, including green hydrogen, CCS and alternative feedstocks, by our suppliers will be required to reduce this source of Scope 3.
FUEL AND ENERGY	Transition away from natural gas, petrol and diesel fuels, which have upstream Scope 3 associated with their extraction, processing and transport to the company.	Progress the green ammonia projects to reduce natural gas purchases. Switch to renewable electricity and EVs as they become available.	Grid decarbonisation, PPAs, EVs (including heavy vehicle fleet for Dyno Nobel Transport International).
TRANSPORTATION	Continuing to reduce the shipping GHG by selecting more efficient ships and decarbonised vessels through Rightship, working with road transport suppliers to reduce distances travelled and switching to EV powered contractor fleets as they become available.	Engaging with transport contractors to obtain their specific emission factors and decarbonisation plans.	Electrification of contractor road and rail transport. LNG and green ammonia fuels for shipping.
WASTE, BUSINESS TRAVEL & EMPLOYEE COMMUTING	Continue to reduce, reuse, recycle waste, and to promote EV novated leases to employees.	Incentives for EV adoption.	-
USE OF SOLD PRODUCTS	DeltaE explosives technology is estimated to reduce CO2e emissions in a typical blast by between 5% and 30%. A recent trial achieved a 7% reduction, with a 25% reduction calculated against standard ANFO explosives, had they been used in the pre-trial period.	Expanding the customer use of DeltaE. Completing the build of prototype electric MPU and solar charging stations. Investigate EEF potential for US-based fertiliser customers.	-
INVESTMENTS	Share our knowledge in developing green ammonia and N2O abatement projects with our GHG intensive JV partners.		

Incitec Pivot Fertilisers Scope 3 Categories & Mitigation Strategies			
Category	**Strategy**	**Next Steps**	**Key enablers**
PURCHASED GOODS	Source fertilisers from low GHG manufacturers.	Engage with suppliers to replace average cradle-to-gate LCA EFs with supplier-specific EFs and determine supplier decarbonisation plans.	The adoption of low GHG technologies, including green hydrogen, CCS and alternative feedstocks, by company's suppliers.
FUEL AND ENERGY	Transition away from natural gas, petrol and diesel fuels, which have upstream Scope 3 associated with their extraction, processing and transport to the company.	Progress the green ammonia projects to reduce natural gas purchases. Switch to renewable electricity and EVs as they become available.	Grid decarbonisation, Copper String (northern Queensland), PPAs, EVs (excavators, front end loaders)
TRANSPORTATION	Continuing to reduce the shipping GHG by selecting more efficient ships and decarbonised vessels through Rightship, working with road transport suppliers to reduce distances travelled and switching to EV powered contractor fleets as they become available.	Engaging with transport contractors to obtain their specific emission factors and decarbonisation plans.	Electrification of contractor road and rail transport. LNG and green ammonia fuels for shipping.
WASTE, BUSINESS TRAVEL & EMPLOYEE COMMUTING	Continue to reduce, reuse, recycle waste, and to promote EV novated leases to employees.	Incentives for EV adoption.	
USE OF SOLDy PRODUCTS	Enhanced Efficiency Fertilisers (EEFs) and promotion of the sustainable application of fertilisers.	Increase sales of EEFs. Continue research and collaboration for a recognised methodology to quantify the reductions associated with EEF use.	Incentives for farmers to adopt EEFs.

Concluding, Incitec Pivot's historical emissions reduction trends, coupled with its stated mitigation initiatives, place the company on a promising trajectory to align with the Paris Agreement targets. The following sections will evaluate Incitec Pivot's Policy and Governance, Risk Assessment and Management, and Strategic Alignment to determine further its likelihood of achieving a 1.5°C warming scenario by 2030 and Net Zero by 2050.

Policy and Governance

ENGAGEMENT AND INFLUENCE

Suppliers' Engagement

Incitec Pivot's supplier engagement strategy, as outlined in its 2024 Climate Change Report, focuses on expanding collaboration with suppliers to enhance Scope 3 emissions management and inform procurement decision-making. The strategy's key elements include:

1. **Information Collection:**

- A comprehensive mapping of procurement processes across business units has been initiated to better integrate Scope 3 emissions data into purchasing decisions.
- Supplier Scope 3 GHG questionnaires have been redesigned and distributed to major global suppliers, now including a GHG calculation template to aid suppliers in tracking their emissions.
- Supplier-specific emission factors (EFs) are being adopted to replace industry-average cradle-to-gate EFs, and suppliers are being actively engaged regarding their decarbonisation plans.

2. **Engagement and Incentivisation:**

- Incitec Pivot is working collaboratively with suppliers to transition from fossil-fuel-based inputs to low-GHG alternatives, such as green hydrogen, and implement carbon capture technologies.
- A new global GHG data management platform, incorporating a dedicated Scope 3 module, has been deployed to support tracking and reduction efforts throughout the supply chain.

Additionally, the company has disclosed specific strategies, next steps, and key enablers to reduce Scope 3 emissions for its two main business segments, Dyno Nobel and Incitec Pivot Fertilisers, as previously presented in Table 2. Still, the GHG coverage of these initiative in numerical terms and timeframe for their completion would be recommended.

Customers' Engagement

In 2024, Incitec Pivot's customer engagement strategy continues to emphasise collaborative trials and technology-driven solutions to mitigate downstream emissions, with a particular focus on fertiliser applications, which constitute the majority of the company's Scope 3 emissions. Key initiatives include:

1. **Technology and Collaboration:**

    - The company expanded customer trials of Enhanced Efficiency Fertilisers (EEFs), which have shown potential to reduce nitrous oxide emissions. Efforts are ongoing to develop a recognised methodology for quantifying these reductions.

    - A strategic partnership has been established to trial renewable diesel and electric-powered mobile processing units (eMPUs) in mining operations, with initial results indicating promising reductions in emissions.

2. **Results and Incentivisation:**

    - Trials in key agricultural markets have demonstrated efficiency improvements, with customers reporting increased yields and reduced input costs.

    - Targeted incentives have been introduced to encourage the adoption of low-emission fertiliser solutions, aiming to position Incitec Pivot as a leader in sustainable agricultural practices.

Summarising, these initiatives highlight the company's commitment to driving emissions reductions across its value chain by leveraging technology, data-driven decision-making, and strategic partnerships with suppliers and customers. However, Incitec Pivot should disclose the impact of these initiatives on emissions.

Influence on Policymakers

Incitec Pivot continues to actively engage with climate policy, focusing on Australia's Safeguard Mechanism reforms and the broader energy transition. However, while the company publicly supports climate initiatives, its approach reveals a mix of proactive advocacy and calls for regulatory flexibility.

1. **Specific Climate Policy Engagement:**

    - Incitec Pivot's engagement with Australia's Safeguard Mechanism reforms demonstrates both support and caution. In its September 2022 submission, the company endorsed declining emissions baselines aligned with national targets but advocated for extended multi-year monitoring periods of 10 to 15 years, potentially delaying emissions reductions beyond 2030.

    - The company expressed concerns over the financial burden of carbon offsets, emphasising the need for flexibility due to technological constraints. Nonetheless, it voiced support for a comprehensive economy-wide transition plan to achieve Australia's 2030 emissions targets.

2. **Energy Transition and Industry Associations:**

- Incitec Pivot maintains a conservative stance on the energy transition, supporting incentives for renewable energy adoption in Australia while publicly endorsing the continued role of fossil gas in the energy mix, reflecting its preference for a phased transition strategy.

- The company's 2024 Climate Change Report reviewed 27 industry associations, identifying six with partial alignment and four with misaligned views, particularly concerning coal advocacy. Notably, Incitec Pivot did not disclose Dyno Nobel's membership in the Chamber of Minerals and Energy of Western Australia (CME), which has opposed progressive climate policies. Similarly, its association with groups such as the Minerals Council of Australia and the Business Council of Australia, both known for resisting stringent climate regulations, raises some questions about governance and alignment with stated climate commitments.

In conclusion, Incitec Pivot's climate policy engagement reflects a dual approach, balancing proactive support for climate action with industry-aligned caution. Enhancing transparency in policy advocacy and taking decisive measures to address misalignments with industry associations would reinforce the company's credibility as a climate leader.

MANAGEMENT ALIGNMENT

Sustainability Targets Oversight

1. The Board

Incitec Pivot's Board of Directors oversees the company's climate change strategy, governance, and performance. According to the company, it ensures that the business is prepared to manage climate-related risks and opportunities through active integration of climate considerations into key areas such as strategy, investments, and risk management. Key elements of the Board's role include:

- **Policy Commitment:** Formalised through the IPL Climate Change Policy (adopted in 2019), ensuring climate considerations are embedded in business decisions.
- **Risk Oversight:** The Audit and Risk Management Committee (ARMC), a subset of the Board, reviews climate-related risks every three years and monitors updates to risk assessments. In 2024, Incitec Pivot developed a dedicated climate-specific risk register to strengthen oversight[11].
- **Sustainability Investments:** Direct supervision of "Sustainability Capital" projects, including funding for Moranbah and Louisiana N_2O abatement initiatives and exploration of green hydrogen and ammonia opportunities.
- **Strategic Reviews:** Annual evaluations of Business Unit (BU) strategies, focusing on risks such as transitioning from coal customers and increasing demand for minerals tied to renewable technologies.

Incitec Pivot's Board of Directors appears to be actively involved in shaping the company's climate transition strategy, embedding climate-related decision-making into broader business operations. The Board has committed to further formalising these processes in 2025, ensuring that climate change considerations remain integral to Incitec Pivot's strategic planning and risk management. Figure 10 below outlines the Board, the ARMC, and the related governance structures that support its climate strategy.

11 Presented in Incitec Pivot's 2024 Climate Change Report.

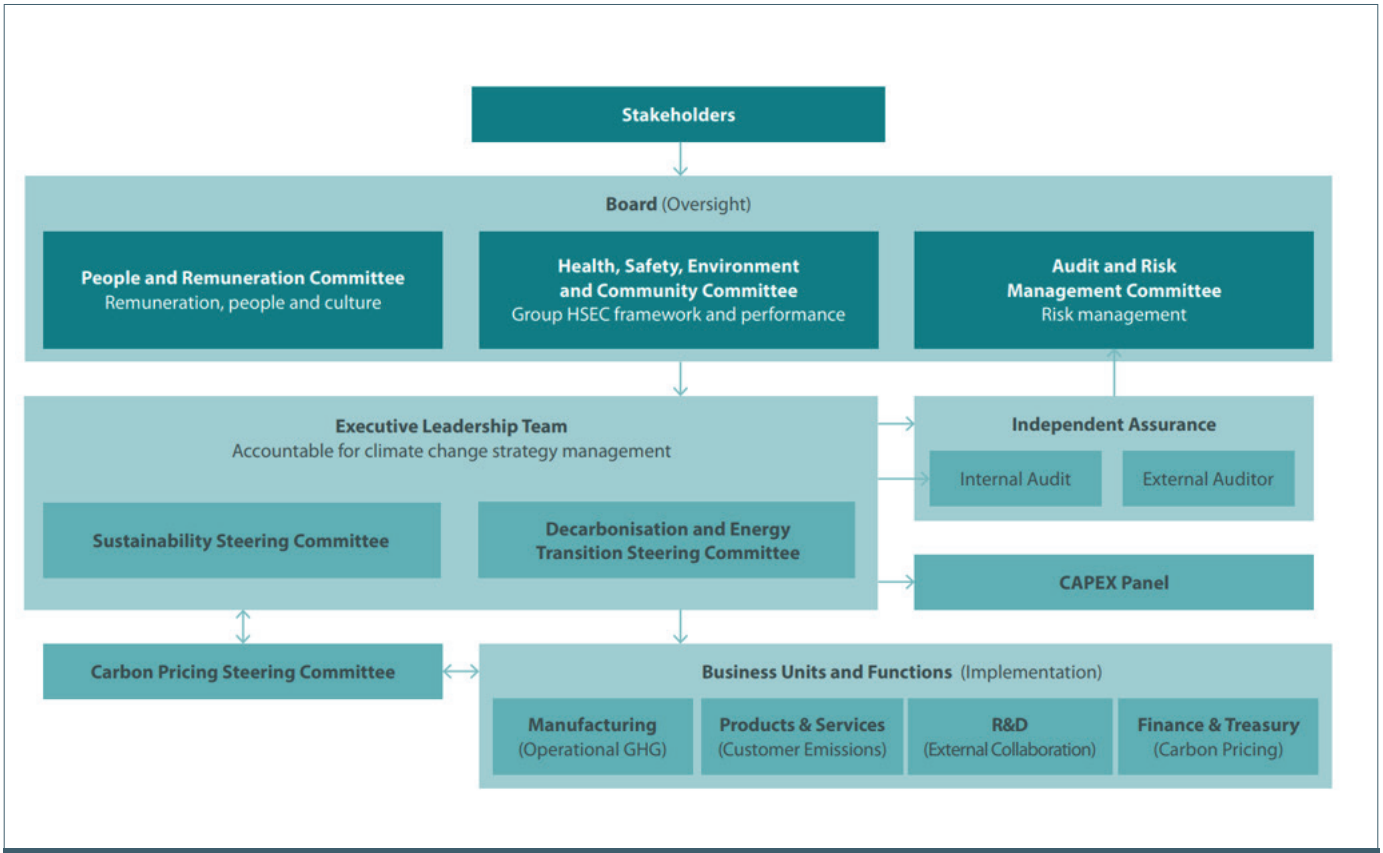

Figure 13: *Incitec Pivot Board and Committee Breakdown & Interaction.*
Source: Incitec Pivot 2024 Climate Change Report.

2. The Management

The Executive Leadership Team (ELT), led by the CEO and Managing Director (MD), is responsible for executing Incitec Pivot's business strategy, including its response to climate-related risks and opportunities. The CEO and MD oversee the implementation of the Board-approved climate strategy, ensuring operational and long-term planning decisions align with its sustainability objectives.

18 Based on the following JPY to USD exchange rate: 0.007091 (on 31st of December 2023).

19 Which puts in question its materiality.

Executive Responsibilities

- **CEO & MD:** Oversees the overall implementation of the climate strategy and delegates specific responsibilities to ELT members based on their functional roles.

- **Chief Financial Officer (CFO):** Manages the financial aspects of the climate strategy, including the Capital Allocation Framework and internal carbon pricing model. "Sustainability Capital" is prioritised for funding major decarbonisation projects, addressing risks such as carbon pricing and regulatory changes. In 2024, the CFO also led enterprise risk management, collaborating with the Chief Risk Officer to assess more accurately the company's climate-related financial exposures.

- **Chief Technology Officer (CTO):** Focuses on the development of low-carbon explosives products and services to meet increasing customer demand for Scope 3 downstream emissions reductions.

Functional Leadership

- **Chief Development and Sustainability Officer (CDSO) / Chief Strategy and Sustainability Officer (CSSO):** Responsible for the Net Zero Pathway and ensuring climate risks and opportunities are integrated into BU strategies. This includes working with the CFO on decarbonisation initiatives such as green ammonia opportunities.

- **Presidents of Dyno Nobel Asia Pacific (DNAP) and Dyno Nobel Americas (DNA):** Accountable for managing climate-related risks within their explosives businesses, including transitioning from thermal coal markets and mitigating physical risks to supply chains and operations.

- **President Incitec Pivot Fertilisers (IPF):** Oversees climate-related risks and opportunities in fertiliser production, including shifts in customer demand for Enhanced Efficiency Fertilisers (EEFs) that reduce agricultural GHG emissions, as well as addressing physical risks such as water scarcity.

Lastly, scenario-based climate risk assessments are conducted by the **Corporate Sustainability Manager** and **Chief Risk Officer**. Reporting to the CSSO and CFO, respectively, these roles ensure that material and non-material risks are evaluated and presented to the ELT.

In conclusion, Incitec Pivot's management structure strives to ensure that climate considerations are embedded at all levels of governance. The Board provides strategic oversight, while the ELT drives implementation through targeted responsibilities and cross-functional collaboration. This integrated approach aims to strengthen Incitec Pivot's ability to monitor and address climate-related challenges, positioning the company on a good path to achieve its Net Zero ambition.

Management Compensation

Incitec Pivot links executive remuneration to climate-related goals, reflecting its focus on decarbonisation, risk mitigation, and broader ESG responsibilities. These metrics are embedded in both short-term and long-term incentive plans, overseen by the People and Remuneration Committee of the Board.

1. Short-Term Incentive (STI) Plan

Climate-Focused KPIs (10% Weighting[12])

For FY2024, 10% of STI objectives for Executive Key Management Personnel (KMP) are tied to sustainability and climate change goals. Key targets include:

- **Green Ammonia Projects:** Advancing the Gladstone Green Ammonia Project, with a Memorandum of Understanding signed to progress towards a Final Investment Decision by late 2025.

- **Tertiary N_2O Abatement:**

  - **Moranbah (Queensland):** Completed in 2024, cutting approximately 200 $KTCO_2e$ annually and reducing carbon liabilities.
  - **Louisiana, Missouri (LOMO):** Final investment approved in 2023, with installation planned by 2025.
  - **Low Carbon Technologies:** Developing electric Mobile Processing Units (MPUs), solar charging stations, and renewable fuel solutions for bulk explosives.
  - **Scope 3 Management:** Integrating key suppliers and customers into decarbonisation efforts.

2. Long-Term Incentive (LTI) Plan

Climate Change Performance Condition (10% Weighting[13])

The LTI plan, introduced in 2021, focuses on longer-term projects aimed at reducing emissions and supporting growth in low-carbon markets. Key initiatives include:

- **Tertiary N2O Abatement (Moranbah & LOMO):** Reducing direct GHG emissions at key operational sites.
- **Carbon Capture and Storage (CCS):** Targeting permanent geological sequestration of CO_2.
- **Green Ammonia:** Exploring low-carbon opportunities in ammonia production, examples include collaborating with Fortescue Future Industries (FFI) at Gibson Island.

In conclusion, Incitec Pivot's compensation structure aims to drive both immediate and long-term climate action. The STI plan focuses on near-term progress, while the LTI plan rewards sustained advancements in decarbonisation and low-carbon technologies. This approach intends to ensure the alignment of executive incentives with the company's Net Zero ambitions and broader climate strategy, and so far it seems to have a positive impact.

12 STI Plan Weighting: Health, Safety and Environment – 10%; Group Headline Net Profit After Tax (NPAT) – 40%; Group Adjusted NPAT – 20%; Climate Change – 10%; Individual Strategic Objectives – 20%. For more details see page 65 of Incitec's 2024 Annual report.

13 LTI Plan Weighting 2021/24: Absolute Return on Invested Capital (ROIC) – 35%; Long-Term Value Metrics – 15%; Sustainability (Climate Change) – 10%; Relative Total Shareholder Return (TSR) – 40%. For more details see page 67 of Incitec's 2024 Annual report.

Risk Analysis

FINANCIAL IMPACT

Climate change presents both risks and opportunities for Incitec Pivot, including transitional risks like carbon pricing, market changes, and regulatory shifts, as well as physical risks from extreme weather and changing climate patterns.

The company employs scenario analysis to evaluate climate risks, using four bespoke scenarios: Fast Action (+1.5°C), Forecast Policy (+1.8°C), Current Trajectory (+2.7°C), and Disrupted State (>4°C). According to Incitec, these scenarios are informed by the latest Intergovernmental Panel on Climate Change (IPCC) data and trends specific to the explosives and fertiliser sectors, focusing on key geographies such as Australia and the US. Each scenario incorporates metrics like energy mix, commodity prices, and technological advancements to assess potential risks and opportunities.

Material risks, defined as those with significant financial, regulatory, or operational impacts with an EBIT impact exceeding USD 20 million[14], are identified and highlighted using the IPL Risk Matrix – see Tables 2 to 7 from the company's 2024 Climate Change Report. However, while the company states that the financial impacts associated with selected material climate risks and opportunities were quantified for 2030 and 2050, the quantification outcomes are presented using Low, Medium and High classifications. In other words, the company discloses a qualitative assessment rather than a quantitative one, leaving investors calculate the potential impact independently.

External Policy Drivers[15]

Incitec Pivot is exposed to various **transition climate risks** that could significantly affect its operations and financial performance. For Dyno Nobel, declining demand for thermal and metallurgical coal, driven by the adoption of low-carbon technologies and recycled materials, presents a notable market risk. In 2024, thermal coal contributed 27% of Dyno Nobel Americas' revenues and 4% of Dyno Nobel Australia's revenues. Regulatory risks, such as carbon pricing and GHG limits under mechanisms like the Safeguard Mechanism, are also anticipated to increase operational costs and create competitiveness challenges, particularly if these costs cannot be passed on to customers. For example, the company estimates an internal carbon price of USD 91 per tonne of CO_2 equivalent by 2030. Based on its expected operational emissions, as calculated by Planet Tracker, carbon costs could amount to USD 109 million (AUD 165 million[16]), representing 3% of revenue and 28.5% of EBIT in 2024.

Furthermore, Dyno Nobel's Cheyenne site and IPF's Phosphate Hill operations face risks of becoming stranded assets if a sudden low-carbon transition occurs. For IPF, technological advancements, such as precision agriculture and biological products, could reduce demand for traditional fertilisers, negatively impacting revenues and asset valuations.

14 Approximately 5% of the company's EBIT in 2024.

15 Source: 2024 Climate Change Report.

16 At an average exchange rate of 0.6598 AUD/USD in 2024. Source: link.

Physical Impact Drivers[17]

Incitec Pivot also faces **acute and chronic physical climate risks** that pose significant operational, financial, and safety challenges across its businesses. For Dyno Nobel, acute risks include extreme weather events disrupting employee access at Simsbury, Connecticut, and heavy snow accumulation at the site causing potential structural collapse, risking fatalities and production losses. Moreover, chronic risks, such as increased maximum temperatures at Moranbah, Queensland, could lead to reduced productivity, heat-related injuries, and operational delays due to fatigue and stress.

IPF encounters a broader range of physical risks, including acute events such as extreme rainfall leading to overflow at retention ponds (Mt Isa and Gibson Island) and damage to gypsum dams at Phosphate Hill, which could result in environmental contamination, regulatory penalties, and legal liabilities. Chronic risks, such as increasing baseline water stress at Mt Isa, may disrupt production and necessitate costly water storage and treatment solutions. Additionally, supply chain infrastructure in Northern Queensland is highly vulnerable to cyclones and floods, threatening logistics at Phosphate Hill, the rail network, and Townsville Port, with the potential to cause significant operational and financial disruptions. Notably, weather-related events resulted in financial losses of AUD 4 million in 2022 and AUD 18.7 million in 2024, highlighting the material impact of these risks.

Nevertheless, despite these examples and highlights of potential impacts, the company does not disclose the overall financial value at risk. In other words, once again, investors are left to make their own calculations.

17 Source: 2024 Climate Change Report.

RISK MANAGEMENT

External Policy Risk Management

Incitec Pivot has outlined several strategies to address its **transition climate risks** and explore opportunities associated with a low-carbon transition. According to the company, Dyno Nobel has incorporated mitigation strategies into its global business plan. These include diversifying operations into emerging mineral markets in South America and the western United States, as well as expanding its presence in the quarry and construction sectors, which now contribute over 40% of its revenues. Initiatives like the Moranbah Tertiary N_2O Abatement Project, which reduced GHG emissions by approximately 200 $KTCO_2e$ in 2024, are cited as examples in reducing the exposure to regulatory risks and carbon pricing. Dyno Nobel also uses internal carbon pricing to evaluate investments and is reviewing long-term contracts to manage stranded asset risks.

Similarly, IPF is addressing policy and legal risks by leveraging customer agreements to pass on carbon costs and diversifying its supply chain to reduce exposure to regional regulatory volatility. The company has also taken steps to improve its competitiveness, such as co-locating critical products domestically to minimise carbon-related transport costs.

In terms of **opportunities**, Dyno Nobel has secured AUD 1 million in funding from ARENA for renewable hydrogen research and AUD 9 million from the Powering the Regions Fund for decarbonisation projects. The acquisition of Titanobel in 2022 expanded its presence in the French quarry market and introduced new opportunities in New Caledonia and West Africa. The company is also advancing technologies such as its Differential Energy (DeltaE) platform and electric MPU (mine explosives delivery truck) to improve efficiency, reduce environmental impacts, and serve customers' needs for low-carbon solutions.

For IPF, decarbonisation efforts have been supported by a AUD 13.7 million ARENA grant for renewable hydrogen and green ammonia projects, along with AUD 28 million from the Powering the Regions Fund. Additionally, the company's 20-year offtake agreement with Perdaman Chemicals and Fertilisers secures access to 2.3 million tonnes of domestically produced urea annually. This agreement strengthens Australia's food security while reducing reliance on imports and positions IPF to gain a significant competitive advantage if global urea trade decreases due to climate-related disruptions.

Physical Impact Management

Dyno Nobel employs various strategies to manage **acute and chronic physical climate risks**.

- **Acute Risks** – The Simsbury site has experienced disruptions due to localised flooding, which has occasionally necessitated temporary employee accommodations. Financial impacts from such events are monitored annually, and strategies will be reviewed as needed to address increasing risks. Additionally, the company has implemented a global structural maintenance and inspection programme to mitigate risks such as structural damage caused by extreme weather events.

- **Chronic Risks** – Worker health and safety remain a priority for Dyno Nobel, particularly in extreme environments, such as the Canadian polar regions and high-temperature locations in Australia and Indonesia. In response to rising temperatures, a global fatigue management procedure was introduced in 2023, following a regional implementation in the Americas in 2022. This initiative aims to reduce heat-related health risks and maintain productivity under changing climatic conditions.

Similarly, IPF has developed long-term strategies to address both **acute and chronic physical climate risks**.

- **Acute Risks** – IPF employs seasonal contingency plans at its Phosphate Hill site, where wet season flooding has caused significant logistical disruptions in the past. Following a one-in-100-year flooding event in 2019 that damaged rail infrastructure and disrupted operations, IPF invested AUD 3.6 million in additional storage capacity and implemented procedures to shift rapidly from rail to road transport when necessary. Weather monitoring systems and pre-assigned decision-making protocols further strengthen preparedness. Additionally, the company has established supply chain resilience by diversifying geographic locations and agricultural sectors to minimise the impact of extreme weather events on customer demand.

- **Chronic Risks** – IPF conducts annual water risk analyses using the World Resources Institute (WRI) Aqueduct Tool and has implemented ongoing water management strategies to ensure sufficient water availability at sites such as Mt Isa, where drought and water scarcity risks are significant. Similarly, a global fatigue management procedure, introduced in 2023, addresses health and safety concerns for employees working in high-temperature environments like Queensland.

In summary, Dyno Nobel and IPF's efforts to manage transition and physical climate risks highlight the company's proactive approach to operational resilience. However, while these initiatives reflect thoughtful planning, greater financial disclosure of the overall costs, as well as potential savings associated with these risk management strategies would enhance transparency and provide investors with a clearer understanding of their effectiveness.

Strategic Assessment

CAPITAL ALIGNMENT

Incitec Pivot targets a 5% absolute reduction in GHG emissions by 2025, a medium-term reduction of 25% (with a potential pathway of over 42% for Scope 1 and 2) by 2030, and Net Zero by 2050. To achieve these objectives, the company focuses on a series of key projects:

- **Moranbah Tertiary N_2O Abatement Project:** Completed in 2024 at a cost of AUD 20 million (or USD 13.2 million[18]), this project is projected to reduce emissions by approximately 200 $KTCO_2e$ annually, equating to a 11% reduction against Dyno Nobel 2020 baseline, according to the company[19].

- **Gibson Island (GI) Green Ammonia Project:** Progressing toward a final investment decision, this project has the potential to cut emissions by 12% relative to the 2020 baseline, according to the company. The project received AUD 14 million (or USD 9.2 million[20]) in ARENA funding and remains in the pre-approval phase.

- **Louisiana, Missouri (LOMO) Tertiary N_2O Abatement Proje**ct: Confirmed for installation in 2025, this project builds on the company's momentum in reducing emissions across its global operations aiming for 30% reduction against Dyno Nobel 2020 baseline. Last year, the project passed through the Front End Loading (FEL) stage, with AUD 2.8 million (or USD 1.8 million[21]) invested.

Moreover, in 2022 the Decarbonisation and Energy Transition (DET) Steering Committee established 'Sustainability Capital' within the Capital Allocation Frameworks for its explosives and fertilisers businesses, to progress a range of major projects required to decarbonise its operations. The Committee has earmarked AUD 110 million (or USD 76.5 million[22]) for decarbonisation projects through 2025, covering initiatives such as the Waggaman CCS project (prior to its sale) and investments in the Gibson Island Green Ammonia Project. Accordingly, in 2023, Incitec Pivot invested AUD 50 million (or USD 33.2 million[23]) in sustainability-related capital, followed by AUD 24 million (or USD 15.8 million[24]) in 2024, and AUD 10 million (or USD 6.6 million[25]) planned for 2025, and highlighted in Figure 15.

Beyond operational decarbonisation, Incitec Pivot has engaged stakeholders across its value chain to address Scope 3 emissions. The company encourages farmers to adopt Enhanced Efficiency Fertilisers (EEFs) to reduce agricultural emissions and collaborates with suppliers to integrate low-GHG technologies such as green hydrogen and CCS. However, detailed investment figures for these initiatives are not disclosed.

Incitec Pivot's climate-aligned capital initiatives underscore its commitment to a sustainable future, with several financial investments and strategic projects underway. However, greater clarity on the total financial cost by 2030 to achieve its environmental goals would enhance alignment with a 1.5°C target and increase investor confidence.

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18 At an average exchange rate of 0.6598 AUD/USD in 2024. Source: link
19 2020 baselines have been adjusted for the sale of the Waggaman, Louisiana plant in line with best practice.
20 At an average exchange rate of 0.6598 AUD/USD in 2024. Source: link
21 At an average exchange rate of 0.6598 AUD/USD in 2024. Source: link
22 At an average exchange rate of 0.6955 AUD/USD in 2022. Source: link
23 At an average exchange rate of 0.6955 AUD/USD in 2023. Source: link
24 At an average exchange rate of 0.6598 AUD/USD in 2024. Source: link
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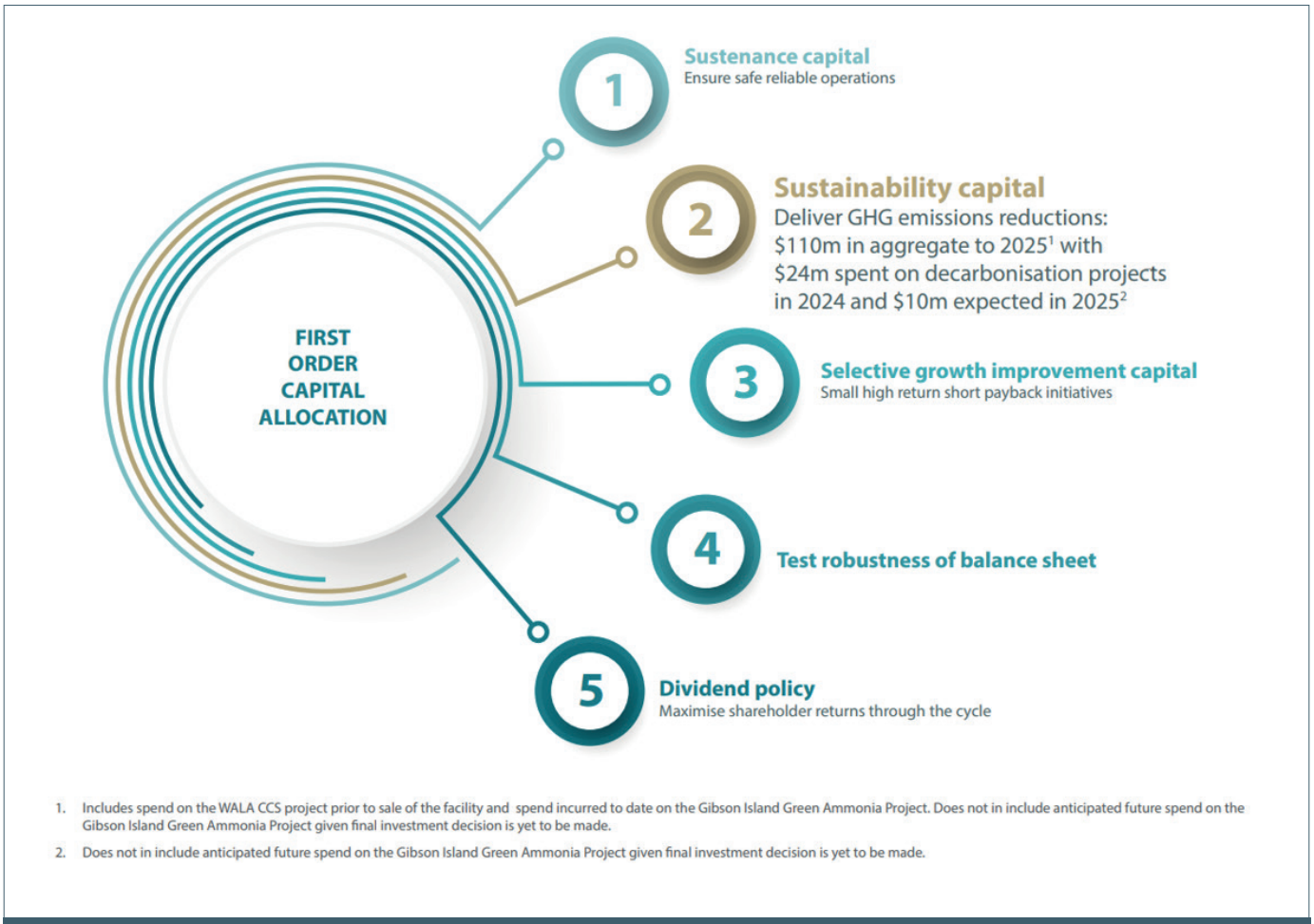

Figure 14: *Incitec Pivot's Capital Allocation Framework for its Decarbonisation Ambitions. Source: IPL Climate Change Report 2024.*

TRANSITION APPRAISAL

Planet Tracker assessed Incitec Pivot's Climate Transition strategy by analysing its GHG emissions trends from 2020 to 2024 and its alignment with the Paris Agreement. In 2022, Incitec Pivot updated its emissions disclosures and Climate Transition ambitions to align with Science Based Targets. The revised plan includes a 5% reduction in total emissions by 2025, 25% (with a potential pathway of over 42% for Scope 1 and 2) reduction by 2030, and a Net Zero goal by 2050.

To meet these targets, in our opinion, the company must reduce Scope 1, 2, and 3 GHG emissions by 42% by 2030, based on its 2020 baseline[26]. This is equivalent to a reduction of 2,818 $KTCO_2e$ from current levels or a 26% decrease from a 2024 baseline. Historical trends suggest strong progress, with emissions projected to decline by 2,931 $KTCO_2e$ by 2030, a 27% reduction from 2024, or a 43% decrease from 2020 levels. These trends indicate a high likelihood of achieving alignment with a 1.5°C pathway by 2030.

Planet Tracker's assessment also reviewed Incitec Pivot's Policies, Governance, Risk Management, and Capital Alignment to evaluate its ability to sustain this historical progress. The company outlines detailed actions aimed at reducing emissions across its value chain through technological innovation, data-driven decisions, and partnerships with suppliers and customers. However, the lack of disclosure regarding the relative emissions coverage of these initiatives limits its transparency. Also, while its climate policy engagement reflects a mix of proactive support and industry-aligned caution, greater transparency in advocacy efforts and addressing misalignments with industry associations would increase its credibility as a climate leader.

Lastly, Incitec Pivot's Climate Risk Assessment and Management strategy offers a comprehensive approach to risk mitigation, supported by targeted investments. While the strategy reflects a commitment to managing key risks and leveraging opportunities, greater financial disclosure, such as quantifying the financial risks and potential savings, would enhance transparency and provide investors with a clearer understanding of the strategy's effectiveness.

In conclusion, Incitec Pivot demonstrates a strong commitment to achieving its climate transition goals, supported by credible initiatives, strategic investments, and management incentives tied to decarbonisation. While certain gaps remain, such as transparency in policy advocacy and certain financial disclosures, the company's efforts position it well to align with a 1.5°C pathway by 2030.

Planet Tracker concludes that Incitec Pivot is on track for a 1.5°C pathway scenario by 2030[27].

26 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.

27 Based on the data accessed by Planet Tracker until January 2025.

Annex I

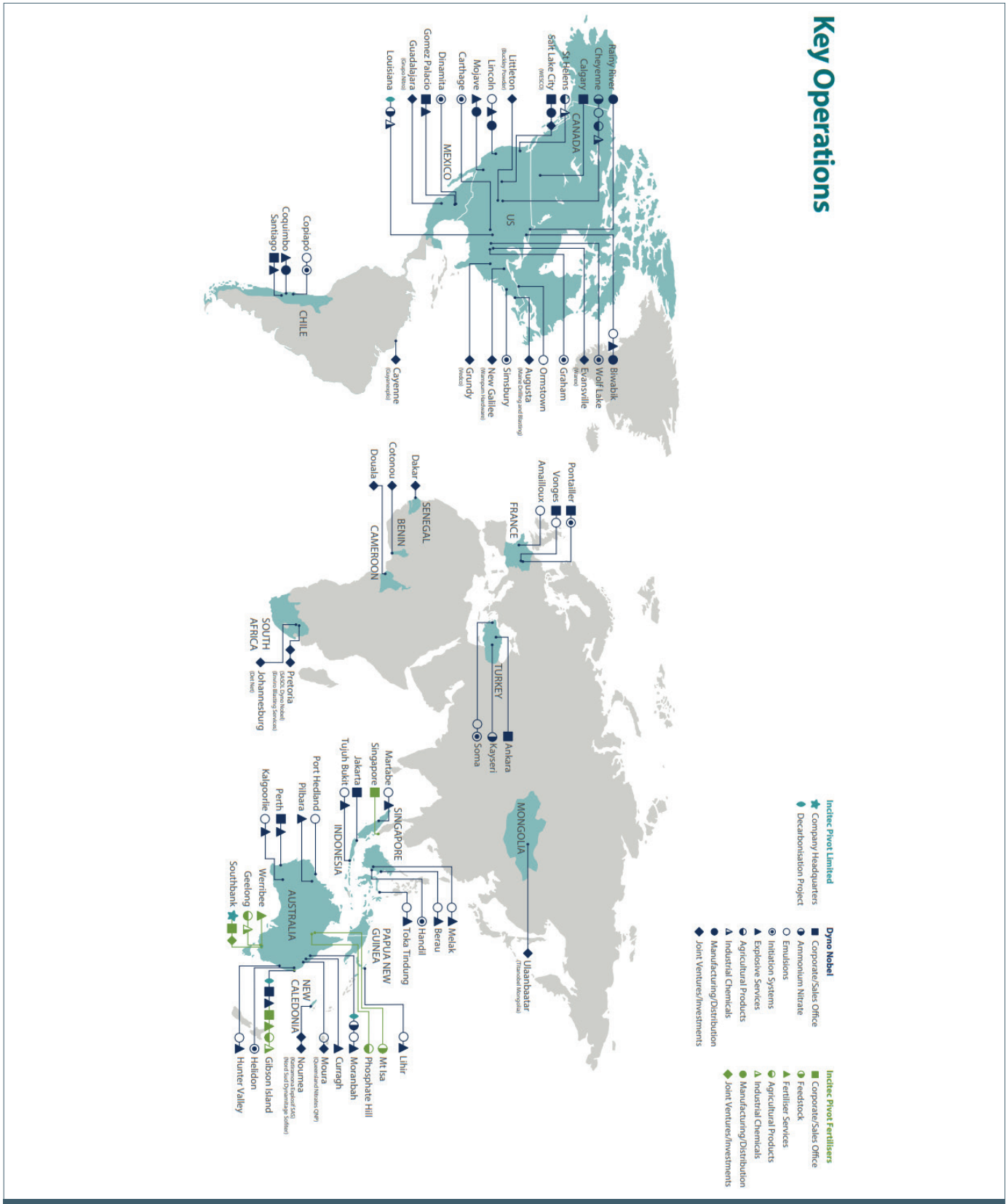

Figure 15: *Incitec Pivot's Capital Allocation Framework for its Decarbonisation Ambitions. Source: IPL Climate Change Report 2024.*

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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. We aim to create a 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

As part of its Petchems programme, Planet Tracker is examining the transition plans of chemical companies covered by the Climate Action 100+ list (https://www.climateaction100.org/whos-involved/companies). Our goal is to provide investors with the key information and analysis they need to be able to hold leading chemical companies to account for the quality of their climate transition plans and their execution against those plans. We also encourage investors to use this information to engage effectively with these companies with the ultimate aim of driving the sustainable transformation of the chemical industry.

ACKNOWLEDGEMENTS

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WITH THANKS TO OUR FUNDERS

climateworks FOUNDATION

Suggested citation:
Visinovschi I., Incitec Pivot Ltd Climate Transition Analysis, Planet Tracker (2025)

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