Nutrien (NTR.TSX)

Climate Transition Analysis

Climate Action 100+ Focus Company

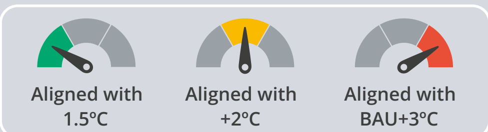
Overall Assessment

Nutrien is most likely heading towards a +2.0°C pathway by 2030.

Planet Tracker assessed Nutrien's Climate Transition strategy by analysing its GHG emissions trends from 2018 to 2024 and its alignment with the Paris Agreement. Nutrien set a 2030 target to achieve at least a 30% reduction in Scope 1 and Scope 2 emissions intensity per tonne of product produced across its Nitrogen, Phosphate and Potash operations from the base year of 2018. Nutrien acknowledges that based on their current emission trajectory, this target will not be achieved. They note that regulatory policies and compliance frameworks have not developed in a way which delivers a premium for lower carbon products. This makes emission reduction investments higher risk and less financially viable.

The company has reasonable oversight of sustainability strategy and progress. However, management compensation setting features no link to sustainability performance. Nutrien's Climate Risk Assessment and Management strategy offers a comprehensive approach to risk mitigation, with scenario analysis conducted regularly as part of the broader risk management strategy.

In summary, Planet Tracker assesses Nutrien as most likely heading to a +2.0°C pathway by 2030. Investors should call on the company to provide more detail on its decarbonisation strategy, including costs and timelines, and to incorporate sustainability delivery into management compensation.



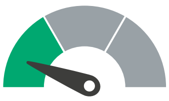
Download the Shareholder **Engagement Sheet**.

Climate Alignment

- Nutrien does not yet report its Scope 3 emissions and has no Scope 3 reduction target.
- It targets a 30% reduction in emission intensity for Scope 1 and 2 by 2030 versus a 2018 baseline. Nutrien acknowledges that based on its current trajectory, this target will not be achieved.

Policy and Governance

- Nutrien seems to be at a relatively early stage in developing its engagement on climate with its value chain and customers. Working to support improved farmer productivity and outcomes is one of Nutrien's four priorities for climate strategy, but detail is limited on how this will deliver over time. Further developing these relationships will be critical to address its Scope 3 footprint in the future.
- Nutrien's oversight of sustainability appears reasonable. A Safety & Sustainability sub-committee oversees strategy and performance and reports to the Board of Directors. Unfortunately, Planet Tracker is disappointed to see no link to sustainability performance included in management compensation setting.



Risk Analysis

- Nutrien's Climate Risk Assessment and Management strategy offers a comprehensive approach to risk mitigation, with scenario analysis conducted regularly as part of the broader risk management strategy, including analyses of the potential financial impact of climate change. However, quantitative details of the potential financial impact are not provided to investors.

Strategy Assessment

- Nutrien provides some detail on how it has driven decarbonisation so far, with a focus on process improvements and energy efficiency investment. It reports an investment of USD 49 million since 2021.
- The company states that it does not currently believe that further investment will provide a suitable return on capital without the emergence of premium markets for lower carbon products and/or climate policies which make such investment financially viable.

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Company Overview

Nutrien is a Canada-based fertiliser producer. Over the past five years (2020-2024), the company has reported an average annual revenue of USD 28.3 billion. Nutrien operates through four core business segments: Nutrien Ag Solutions (Retail), Potash, Nitrogen and Phosphate – see **Figure 1**. The Retail segment sells products to farmers including plant nutrition, crop protection and seeds. It also offers agronomic advice. The Potash segment is the world's largest producer of potash, selling to more than 40 countries. The Nitrogen segment is the world's third largest producer of nitrogen fertilisers. The Phosphate segment is the second largest phosphate producer in North America.

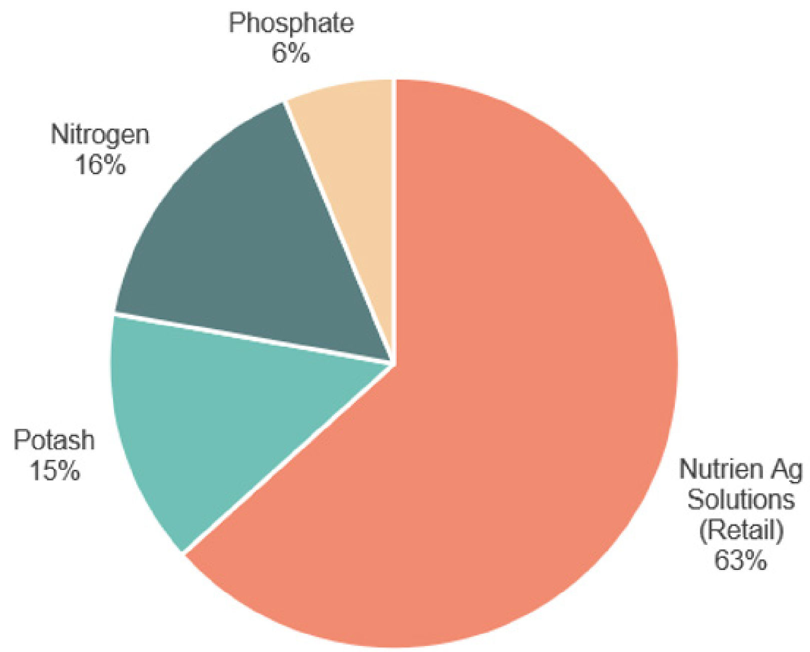

Figure 1: *Nutrien Revenue split by business unit (Source: Nutrien Annual Reports).*

Geographically, Nutrien's biggest market by far is the U.S. – see **Figure 2**.

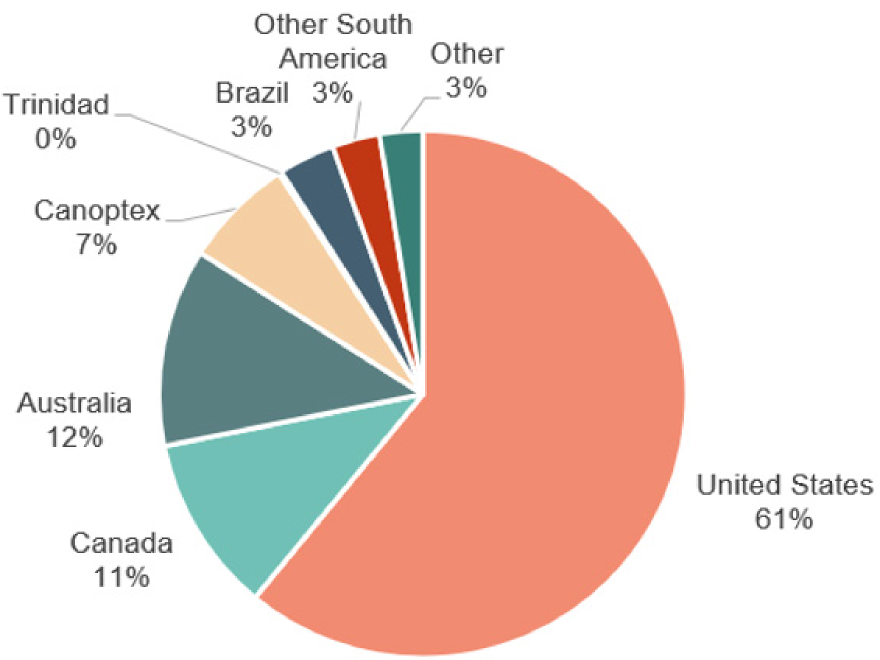

Figure 2: *Nutrien revenue split by geography (Source: Nutrien Annual Reports).*

Note: Canpotex is a potash marketing and delivery company jointly owned by Nutrien and Mosaic (link).

Climate Alignment

EMISSIONS INVENTORY

Nutrien reports only Scope 1 and 2 (location-based) GHG emissions data. It is in the process of assessing its Scope 3 emissions. Since 2018, Scope 1 emissions have fallen 16%, with Scope 2 emissions down 15% (**Figure 3**).

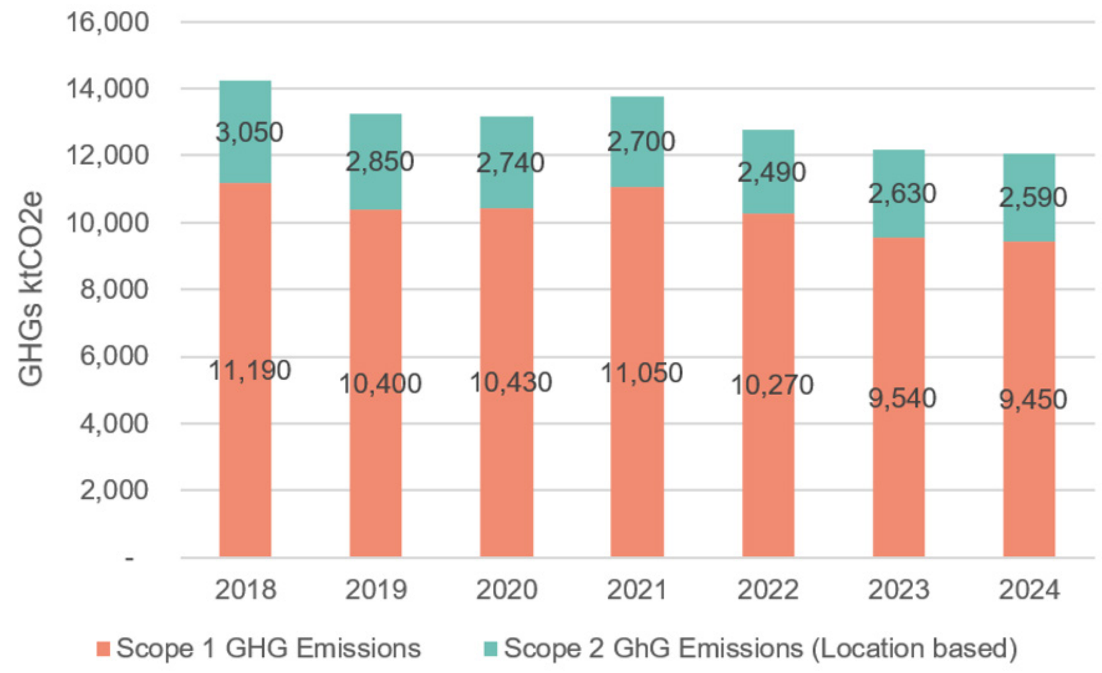

Figure 3: *Nutrien reported emission history (Source: Nutrien's Sustainability Data Tool (link)).*

Nutrien is working to assess its Scope 3 emissions. Based on 2023 preliminary results, it estimates that Category 11 - use of sold products and Category 1 - purchased goods and services are the biggest categories in its Scope 3 footprint (**Figure 4**).

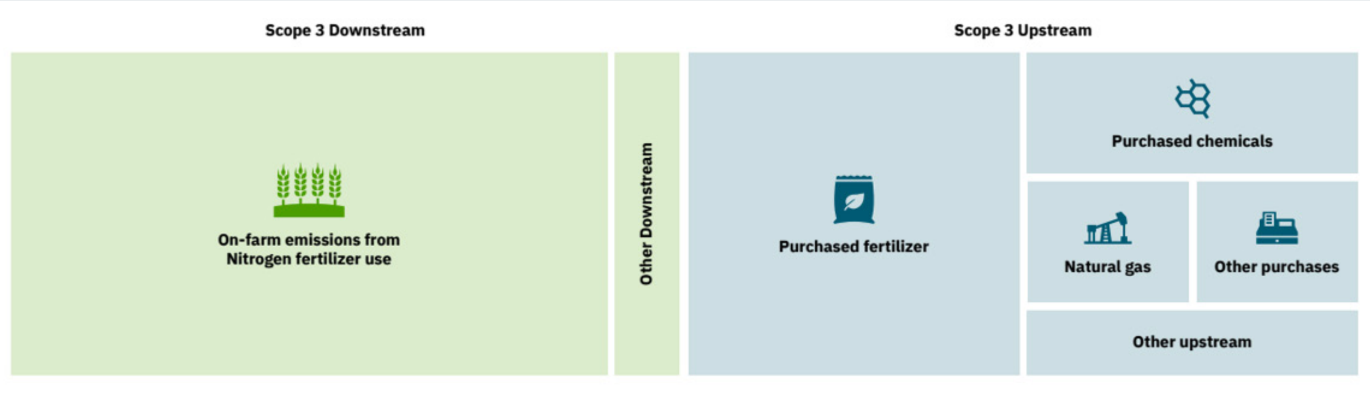

Figure 4: *Nutrien estimates Category 11 - use of sold products and Category 1 - purchased goods and services are the biggest categories in its Scope 3 footprint (Source: Nutrien Sustainability Report 2024).*

EMISSIONS TRENDS AND TARGETS

Historical Emissions Performance

Based on company reported figures, between 2018 and 2024, Nutrien's total Scope 1 and 2 GHG emissions decreased by 15.4%.

A high-level extrapolation model was employed to forecast Nutrien's Scope 1 and 2 emissions up to 2030. This model projects the annual emissions change rate from the past four years forward, assuming that the company continues its historical mitigation efforts while maintaining an intrinsic annual revenue growth rate in the low single digits.

Based on recent emissions history, according to Planet Tracker's extrapolation:

- **Scope 1 emissions** are expected to decrease by 29% by 2030 vs. 2018.
- **Scope 2 emissions** are projected to decrease by 28% by 2030 vs. 2018.

This would result in an absolute Scope 1 and 2 emissions decrease of 29% vs. 2018, with projected Scope 1 and 2 emissions reaching 10,180 ktCO_2e by 2030, compared to 12,040 ktCO_2e in 2024.

Decarbonisation Targets

Nutrien set a 2030 target to achieve at least a 30% reduction in Scope 1 and Scope 2 emissions intensity per tonne of product produced across its Nitrogen, Phosphate and Potash operations from the base year of 2018.

In its 2024 sustainability report, Nutrien acknowledges that based on their current trajectory, this target will not be achieved. They point to certain assumptions they had when setting the target in 2021 which have not played out as expected. They note that regulatory policies and compliance frameworks have not developed in a way which delivers a premium for lower carbon products. This makes emission reduction investments higher risk and less financially viable. Nutrien expects to provide an update on its targets in 2026.

Policy and Governance

ENGAGEMENT AND INFLUENCE

Suppliers' Engagement

In North America, Nutrien works with its supply chain partners to incentivise practices which generate carbon offsets or insets.

Customers' Engagement

Supporting improved farmer productivity and outcomes is one of Nutrien's four priorities for climate strategy.

Nutrien works with its customers to help them to reduce their environmental impacts. This includes their Sustainable Nitrogen Outcomes programme and the Sustainable Phosphorus Alliance. In North America, their FARMSMART programme helps farmers to collect field-level data on environmental outcomes including GHG emissions. In Australia, Nutrien's Farm Emissions Profile service provides on-farm GHG accounting tools.

MANAGEMENT ALIGNMENT

Sustainability Targets Oversight

Nutrien has a 12 member Board of Directors, of which 10 are independent, including the Chair. The President and CEO is a member of the Board of Directors. 75% of the Board are noted as having key skills or experience in sustainability.

The Board of Directors convenes a number of sub-committees to address particular strategic areas. The Safety & Sustainability Committee has responsibility including oversight of sustainability strategy and performance. The Safety & Sustainability Committee reports directly to the Board of Directors on these matters.

Day-to-day oversight of sustainability rests with Nutrien's executive leadership team. In particular, the Executive Vice President External Affairs and Chief Sustainability & Legal Officer provide executive-level oversight.

Management Compensation

Nutrien's executive compensation consists of a base salary, a short-term (annual) bonus and a long-term incentive scheme. For 2024, 89% of CEO pay and 78% of named executive pay were at risk.

The short-term incentive scheme targets financial & strategic metrics and health and safety KPIs. It uses a target payout of 125% of base salary for the CEO and 90% for other officers. It features no sustainability-linked target.

The long-term incentive scheme utilises performance share units (PSUs) and restricted stock units (RSUs). The PSUs vest after three years contingent on performance relative to two financial metrics, total shareholder return versus a peer group and absolute return on invested capital. RSUs are used to incentivise management retention and vest after three years. The long-term incentive scheme features no element tied to sustainability performance.

Planet Tracker is disappointed to see no link to sustainability performance included in compensation setting.

Risk Analysis

FINANCIAL IMPACT

Nutrien has not provided estimates of the financial impacts of the climate-related risks and opportunities it has identified.

Nutrien considers risk timelines as:

Short-term – up to three years

Medium-term – 3 to 10 years

Long-term – 10 to 30 years

Nutrien considers a risk as significant if it is assessed to threaten the achievement of its business model, future financial performance, liquidity or ability to deliver Nutrien's strategy. Risks are considered as potentially impacting across financial, reputational and health & safety metrics. For financial risks, Adjusted EBITDA impact is used as the indicator. Reputational risk is assessed based on impacts on metrics including media attention, legal concerns and effect on corporate value. Health & Safety risks are assessed based on potential impacts on employees, communities and/or the environment.

Transition Risks

Nutrien identifies carbon pricing mechanisms as a key transition risk. Implementation of new carbon taxes, limits on emissions or increases in existing carbon prices could materially impact profitability by requiring changes to production processes, or leading to increased energy and raw material costs.

A global move to lower-carbon options is seen as a key transition risk. Consumers and society increasingly expect farmers to address their negative environmental impacts. Nutrien could see a negative reputational impact if it fails to address this trend and work with its customers.

New products or services which help farmers address climate change could displace demand for Nutrien products. For instance, development of seeds with traits that materially improve nutrient efficiency could reduce demand for fertilisers.

Transition Opportunities

Nutrien suggests that farmers looking to reduce their environmental impacts are a transition opportunity.
By offering products and services which address this demand, Nutrien could grow sales.

The development of new technologies and incentives to use them can help facilitate the introduction of emission reduction investments.

Lower carbon intensity ammonia could be used to reduce the carbon intensity of fertiliser production whilst also offering potential new markets, such as ammonia for industrial use or clean fuel for shipping.

Physical Risks

Nutrien's customers may be negatively affected by climate change induced changes to weather patterns. This could include floods, droughts and wildfires, for instance. Changes could also drive local biodiversity loss, impacting pollinators and soil fertility. Nutrien could see a decline in demand for its products in some areas.

Extreme weather could also threaten physical infrastructure owned by Nutrien or in its value chain. This could include transport networks for products. This could raise costs or impact sales.

Physical Opportunities

Nutrien may be able to grow demand for products and services which help customers adjust to changing weather patterns driven by climate change.

RISK MANAGEMENT

Risk Management

Nutrien reviews climate-related risks annually using their global risk management framework. This includes cross-referencing to industry specific guidance from relevant SASB Standards. Identified risks are reviewed by the Executive Leadership Team for completeness.

Climate linked risk assessment includes the building of scenario models. For transition scenarios, Nutrien uses three International Energy Agency scenarios:

- Announced Pledges Scenario
- Sustainable Development Scenario
- Net Zero Emissions by 2050

For physical risk scenarios, Nutrien uses IPCC scenarios:

- SSP 1 – 2.6
- SSP 5 – 8.5
- SSP 2 – 4.5

External Policy Risk Management

Nutrien is positioning for potential carbon pricing by looking to reduce its own emissions as discussed earlier.

Nutrien is addressing the trend towards lower impact agriculture by investing in products and services aligned with sustainable agriculture. It is working to assess its own Scope 3 footprint to better position itself for the trend.

Nutrien is investing in R&D to be at the forefront of technological developments around emission reduction. This includes developing digital solutions and services.

Physical Risk Management

Nutrien is addressing its physical risks from climate change via development of products and services to address climate issues.

It addresses physical risk to its value chain by utilising strategically positioned suppliers of critical inputs and maintaining a diverse distribution and retail network for its products.

Strategic Assessment

CAPITAL ALIGNMENT

Nutrien has set out various approaches it is taking to drive down emission intensity of its products:

1. Process Improvements – This aims to increase equipment reliability while reducing emissions. Projects have included work to improve Nitrous Oxide abatement and methane emission reductions.
2. Energy Efficiency & Cogeneration – Energy efficiency work is a continuous focus. Nutrien's AB Nitrogen facility and Cory, SK Potash mine use cogeneration to combine heat and power generation and reduce emissions.
3. Lower Carbon Intensity Ammonia – Using renewable energy and/or carbon capture and storage can allow generation of lower carbon ammonia. In 2024, Nutrien captured and sold one million tonnes of carbon dioxide for further industrial use or permanent storage.

Nutrien reports that since 2021 it has invested USD 49 million of capex in the completion of its GHG Phase 1 abatement programme. The company states that it does not currently believe that further investment will provide a suitable return on capital without the emergence of premium markets for lower carbon products and/or climate policies which make such investment financially viable[1].

Nutrien has also set out how it is addressing Scope 3 emissions via membership in various initiatives:

1. Sectoral Decarbonisation Pathways – Nutrien is a member of the Science Based Target initiative and working to develop the chemical sector guidance.
2. Collaborating for Climate Change – Nutrien is part of various industry groups that are working towards a more sustainable agricultural industry and advocating for change in the global food system.
3. Sustainable Agriculture Programmes – Nutrien works with its customers in various ways to help them measure and reduce their emissions.

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TRANSITION APPRAISAL

Planet Tracker assessed Nutrien's Climate Transition strategy by analysing its GHG emissions trends and its alignment with the Paris Agreement.

Nutrien set a 2030 target to achieve at least a 30 percent reduction in Scope 1 and Scope 2 emissions intensity per tonne of product produced across its Nitrogen, Phosphate and Potash operations from the base year of 2018. Nutrien acknowledges that based on their current trajectory, this target will not be achieved. They note that regulatory policies and compliance frameworks have not developed in a way which delivers a premium for lower carbon products.

Nutrien seems to be at a relatively early stage in developing its engagement on climate with its value chain and customers. Working to support improved farmer productivity and outcomes is one of Nutrien's four priorities for climate strategy, but detail is limited on how this will deliver over time. Nutrien's oversight of sustainability appears reasonable. A Safety & Sustainability sub-committee oversees strategy and performance and reports to the Board of Directors. Planet Tracker is disappointed to see no link to sustainability performance included in management compensation setting.

Nutrien's Climate Risk Assessment and Management strategy offers a comprehensive approach to risk mitigation, with scenario analysis conducted regularly as part of the broader risk management strategy, including analyses of the potential financial impact of climate change.

Nutrien provides some detail on how it has driven decarbonisation so far, with a focus on process improvements and energy efficiency investments. It reports details on the size of investment made (USD 49 million since 2021). The company states that it does not currently believe that further investment will provide a suitable return on capital without the emergence of premium markets for lower carbon products and/or climate policies which make such investment financially viable.

In conclusion, Nutrien does not currently report Scope 3 or have Scope 3 targets. It also acknowledges that its Scope 1 and 2 targets are unlikely to be achieved. It has reasonable oversight of sustainability progress and provides some detail on its investment in reduction to date. However, we believe investors should call for sustainability targets to be incorporated in management compensation setting. Moving to report Scope 3 and set out how it will reduce these emissions is another critical step. With the company seemingly backing away from its Scope 1 and 2 targets, with a suggested update in 2026, we conclude that the company's current efforts position it to align with a 2.0°C pathway by 2030.

Planet Tracker concludes Nutrien is likely to align with a +2.0°C pathway by 2030.

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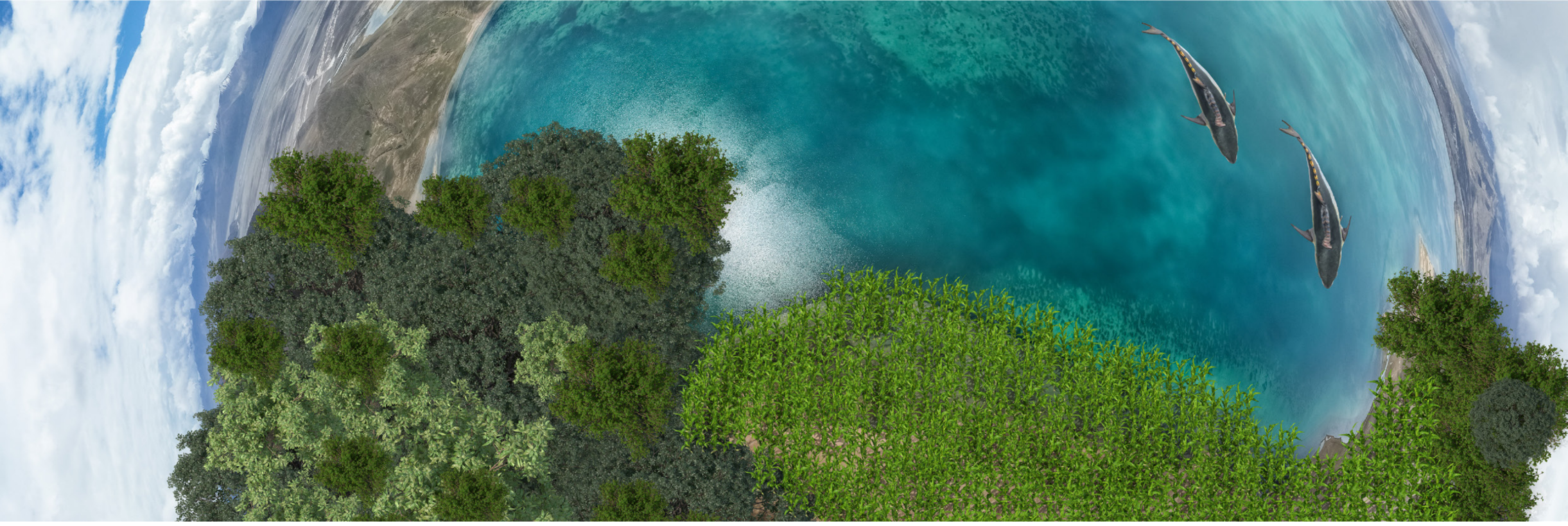

ABOUT PLANET TRACKER

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.

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