

Yara: Expressing a holistic approach to sustainability

Winner: Communicating Integrated Thinking

What

Yara is a global crop nutrition company headquartered in Norway. The company has chosen not to have a standalone sustainability strategy but to have a core business strategy that prioritises sustainable food production and enabling the hydrogen economy, underpinned by innovative digital solutions. The strategy is supported by a people, planet and prosperity scorecard, which links to performance management and directors' remuneration.

Yara is broadening its business model



As an integral element of Yara's business and strategy, sustainability is central to Yara's communications with investors and other stakeholders. The integrated strategy and scorecard has been clearly communicated in the company's 2020 integrated annual report, sustainability report, an ESG investor seminar in December 2020 and quarterly results presentations. Yara has robust procedures to ensure that it reports high-quality sustainability data, and its integrated report is based on the International <IR> Framework from the International Integrated Reporting Council.

Responsibility for financial and non-financial performance lies with the CFO, with the sustainability governance team now part of the finance function. The CFO presents sustainability risk, performance and governance responses to the board audit and sustainability committee, which in turn prepares sustainability-related topics for board discussions. Yara's strategy and communications form a holistic narrative that also inspires the company to continually elevate its work on sustainability, identifying gaps and improving processes throughout the business.

'The judges were impressed with Yara's consistent and comprehensive demonstration of embedded integrated thinking and communications. Yara highlighted a range of impressive and authentic examples across their communications.'

Finance for the Future Awards judges

Why

Yara has embraced an integrated way of thinking for a number of years, driven by its emphasis on creating value for farmers – because farmers need healthy, nutrient-rich soil. The current strategy represents a sharpening of Yara's corporate identity, sparked by a growing global awareness of climate change and the need to decarbonise the food chain. This is reflected in Yara's mission, to 'responsibly feed the world and protect the planet'.

Operating sustainably and embracing digital solutions is how the company believes it can best drive long-term shareholder value. Investors have been keen to engage with Yara on the company's sustainability performance and integrated thinking. And by communicating its integrated thinking and how its strategy has evolved, Yara helps investors to understand the company's long-term value drivers. The company's transparency and use of widely-used standards and frameworks has received positive feedback too. As well as investors, Yara expects that sustainability will also become increasingly important to banks and insurers. Talking openly about its approach to sustainability with these groups helps Yara to build better relationships and improve trust.

'Investors found our ESG seminar presentation and the way we are communicating an integrated scorecard for our strategy very helpful – and a good starting point for understanding and asking questions about our strategy.'

Thor Giaver, CFO, Yara

How

Yara's strategy clarifies its integrated thinking and gives structure to its communications, which in turn have driven changes to business processes:

- > When the strategy was updated, the board's mandate was formally updated to include responsibility for sustainability. The CFO reports to the board audit and sustainability committee on people, planet and prosperity performance.
- > The finance function worked to actively embed the strategy into its work. This started with defining a new finance aspiration, 'Shaping sustainable performance'. Within finance, the sustainability governance team owns integrated reporting processes and the CFO team has oversight over the people, planet and prosperity KPIs.
- > A sustainability network makes sure that the right systems and processes are used in the business. The network maps sustainability topics across the organisation, identifying and addressing any gaps discovered. Finance functions such as sustainability governance and risk management are well represented in the network.
- > Yara has a stakeholder procedure that structures how it organises, monitors and improves stakeholder relationships on key topics such as sustainability. The company's approach to engaging with stakeholders is included in its integrated report.
- > To support strong performance management and reporting disclosures, the finance function has oversight over financial and non-financial reporting and works to apply the same level of rigour to both.
- > Sustainability data is gathered using an online data aggregation tool. Data sources, risks and calculations are all documented. External assurers provide assurance over all reported non-financial data, including reasonable assurance on greenhouse gas emissions.
- > Each year, Yara evaluates its annual reporting to identify points for improvement. The aim is not only to enhance disclosures but to invest in improved performance. This work has prompted changes to the capital value process, including embedding an internal carbon price.
- > Yara's integrated annual report includes its people, planet and prosperity KPIs and provides a clear and succinct summary of its strategy. A materiality chart shows the short- and long-term impacts that various dimensions, including sustainability megatrends, have on Yara's value creation and performance.
- > Throughout its communications, Yara makes clear that sustainability is not separate from its strategy but it is at the core of the company strategy.

www.yara.com

'It's our firm belief that there is no contradiction between purpose and profit. In fact, having a clear purpose and operating in a sustainable way is to us a prerequisite for creating profits.'

Bernhard Stomyr, VP Sustainability Governance, Yara

Key figures

About Yara

Yara grows knowledge to responsibly feed the world and protect the planet. Supporting our vision of a world without hunger and a planet respected, we pursue a strategy of sustainable value growth, promoting climate-friendly crop nutrition and zero-emission energy solutions. Yara's ambition is focused on growing a climate positive food future that creates value for our customers, shareholders and society at large and delivers a more sustainable food value chain.

To achieve our ambition, we have taken the lead in developing digital farming tools for precision farming, and work closely with partners throughout the food value chain to improve the efficiency and sustainability of food production. Through our focus on clean ammonia production, we aim to enable the hydrogen economy, driving a green transition of shipping, fertilizer production and other energy intensive industries.

Founded in 1905 to solve the emerging famine in Europe, Yara has established a unique position as the industry's only global crop nutrition company. We operate an integrated business model with around 17,000 employees and operations in over 60 countries, with a proven track record of strong returns. In 2020, Yara reported revenues of USD 11.6 billion.



SHORTCUT
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52 NOK

Total cash returns per share paid and proposed for 2020

8.0%

Return on invested capital (6.6% in 2019)¹

1,176

MUSD Operating Income (989 in 2019)²

74%

Diversity and inclusion Index (73% in 2019)

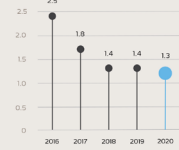
17.7

million tonnes Scope 1+2 CO₂e emissions (16.5 in 2019)

ROIC (Percent)



TRI



	2020	2019
Prosperity performance		
Revenue and other Income	USD million 11,728	12,936
Operating Income ³	USD million 1,176	989
EBITDA ^{1,2}	USD million 2,223	2,095
Net income attributable to shareholders of the parent	USD million 691	599
Investments ³	USD million 933	1,134
Debt/Equity ratio ^{1,4}	0.36	0.42
Net cash flow from operations	USD million 2,047	1,907
Basic earnings per share ⁵	USD 2.58	2.2
People performance		
Engagement rate	Percent 79	73
TRI rates ⁶	Per million hours worked 1.3	1.4
Planet performance		
GHG intensity ⁷	GHG/tonne produced 3.0	3.0
Energy use ⁸	Perajoules 279	285

¹ See page 225 for definitions, explanations and reconciliations of Alternative Performance Measures (APMs).
² EBITDA, as defined by Yara, includes operating income, interest income, other financial income and share of net income in equity-accounted investees. It excludes depreciation, amortization and impairment loss, as well as amortization of excess values in equity-accounted investees.
³ Investment in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.
⁴ Net interest bearing debt divided by shareholders' equity plus non-controlling interests.
⁵ Yara currently has an share-based compensation program that results in a dilutive effect on earnings per share.
⁶ TRI: Number of Total Sustainable Hours per million hours worked, categories include:
⁷ The GHG intensity indicator covers scope 1, 2 and parts of scope 3 emissions from suppliers, but does not represent a complete carbon footprint. Measured against tonnes nitrogen in Yara's products.
⁸ Energy use is measured against tonnes nitrogen in Yara's products.

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