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EU Taxonomy Report 2021

Growing a Nature-Positive Food Future



EU Taxonomy Report 2021

Yara is committed to transparency and accountability, with adherence to non-financial reporting requirements where it operates. While the EU Taxonomy Regulation has not entered into force in Norway at Year End 2021, Yara provides voluntary disclosures based on expected interest.

The EU Taxonomy report for 2021 has been prepared in accordance with regulation EU (2020/852) and the supplementing delegated acts; 'Climate Delegated Act' (2021/2800) and 'Disclosure Delegated Act' (2021/4987).

Basis of preparation

Purpose

EU Taxonomy is a classification system that establishes a list of environmentally sustainable economic activities. The purpose of EU Taxonomy is to scale up sustainable investments to these environmentally sustainable activities and further, help in reaching the EU's climate and environmental targets for 2030 and the objectives of European Green deal.

Scope

Yara is in scope for the EU Taxonomy regulation, on the basis of the regulation covering large public interest entities with over 500 employees that are within the scope of non-financial reporting directive (NFRD) EU (2014/95).

Economic activities are considered regardless of their geographical location, whether inside or outside of European Union.

Reporting principles

Financial data is based on IFRS and is linked to group financials. The group activities are presented as USD.

Yara notes that the EU Taxonomy is still under development, and Yara's current disclosures have been prepared based on existing guidance. Yara follows the development of the regulation closely. Accordingly, any further changes or clarification to the regulation with a material impact on current disclosures will be transparently explained.

Yara EU Taxonomy disclosures

About the EU Taxonomy on Sustainable activities

Yara has for the annual reporting period 2021 adopted the reporting requirements set out in European Union Regulation 2020/852 (“EU Taxonomy regulation”) on the establishment of a framework to facilitate sustainable investment, including delegated acts developed under the Regulation which are effective on the reporting date.¹⁾

The main goal of the EU Taxonomy Regulation is to help investors and companies in making informed investment decisions on environmentally sustainable economic activities. It establishes criteria for determining whether an economic activity qualifies as environmentally sustainable. For the purpose of the EU Taxonomy Regulation, the following are defined as environmental objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

Under the EU Taxonomy Regulation, an economic activity qualifies as environmentally sustainable and is taxonomy-aligned if that activity

- Contributes substantially to one or more of the above objectives
- Does not significantly harm any of the remaining objectives

- Is carried out in compliance with specified minimum safeguards²⁾
- Complies with technical screening criteria set out in delegated acts developed under the Regulation

As of Year End 2021, the effective delegated acts under the EU Taxonomy Regulation were the delegated act for climate change mitigation and climate change adaptation (“Climate Delegated Act”) and the delegated act on taxonomy-related disclosures (“Disclosure Delegated Act”). A delegated act for other environmental objectives (“Environmental Delegated Act”) is expected to become effective in 1st of January 2023.

¹⁾ The EU Taxonomy Regulation has not entered into force in Norway at Year End 2021. A proposed law implementing the Regulation will come into force after the Regulation has been incorporated into the EEA Agreement. The Norwegian Ministry of Finance expects EEA incorporation to take place in the first half of 2022.

²⁾ The minimum safeguards refers alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

³⁾ [EUR-Lex - C\(2021\)2800 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/oj)

⁴⁾ [taxonomy-regulation-delegated-act-2021-4987_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/4987/oj)

Disclosure requirements

The EU Taxonomy regulation requires non-financial undertakings like Yara to disclose to what extent the undertaking performs economic activities that are described under the Regulation (“Taxonomy-eligible”). In addition, non-financial undertakings shall disclose the following on an annual basis:⁵⁾

- a) the proportion of their turnover (revenue) derived from products or services associated with economic activities that qualify as environmentally sustainable (“Taxonomy-aligned”) under the requirements mentioned⁶⁾; and
- b) the proportion of their capital expenditure (CapEx) and the proportion of their operating expenditure (OpEx) related to assets or processes associated with economic activities that qualify as environmentally sustainable (“Taxonomy-aligned”) under the requirements mentioned⁷⁾.

These disclosure requirements are to be implemented based on the following two-step transition period:

1. From 1 January 2022 until 31 December 2022

The proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in the undertaking’s total turnover (revenue), CapEx and OpEx as well as related relevant qualitative information.

2. From 1 January 2023

Disclose the proportion of Taxonomy-aligned turnover (revenue), CapEx and OpEx as outlined in a) and b) above together with related mandatory tabular forms and related qualitative information.

Disclosed information shall cover the annual reporting period from the previous calendar year of the date of disclosure. This means that disclosures published in 2022 shall include information for the calendar year 2021.

⁵⁾ Regulation (EU) 2020/852, article 8

⁶⁾ Regulation (EU) 2020/852, articles 3 and 9

⁷⁾ Regulation (EU) 2020/852, articles 3 and 9

⁸⁾ Disclosure delegated act article 1

Yara Taxonomy-eligible activities in 2021

A Taxonomy-eligible economic activity is an economic activity that is described in the delegated acts adopted under the EU Taxonomy regulation irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.⁸⁾ A Taxonomy-non-eligible economic activity is any activity that is not described in those delegated acts. Eligible activities to be disclosed for 2021 only refer to the environmental objectives of climate change mitigation and climate change adaptation. A Delegated Act for the remaining four environmental objectives has not been published, and thus, is not yet effective.

The EU has prioritized the economic activities that can make the most relevant contribution to the EU's climate and energy targets. Priority activities are subject to technical screening criteria set out in delegated acts developed under the Regulation. Not all economic activities are eligible to the taxonomy. However, it is expected that the taxonomy will develop over time and more sectors and activities will be added in the future.

The economic activities of Yara are mainly manufacturing of fertilizers and nitrogen compounds. However, the Climate Delegated Act defines technical screening criteria only for manufacturing of anhydrous ammonia and manufacturing of nitric acid.⁹⁾ As a result, Yara considers the Group's own production of ammonia (OPP ammonia) and nitric acid (OPP nitric acid) to be Taxonomy-eligible economic activities.

In addition, Yara has Taxonomy-eligible activities related to sea and coastal freight water transport, vessels for port operations and auxiliary activities.¹⁰⁾ These activities refer to Yara's fleet of own and time-chartered vessels in the Group's ammonia trade and shipping business reported in the Clean Ammonia segment. They also include Yara Birkeland, a fully electric and autonomous container vessel with zero emissions. Yara Birkeland is reported in the segment Global Plants & Operational Excellence and will be put into operation in 2022.

For KPI reporting related to Revenue, CapEx and OpEx, Yara has defined activities as eligible if the

economic activities they relate to can be assessed against technical screening criteria set out in the Climate Delegated Act and potentially can become EU Taxonomy-aligned. The definitions may deviate from the same or similar expressions used in Yara's Consolidated Financial Statements and Alternative Performance Measures. More specifically Yara has defined eligible Revenue, CapEx and OpEx as follows:

- **Definition of Yara eligible Revenue**
Yara eligible Revenue refers to IFRS 15¹¹⁾ revenues from external sales of OPP Ammonia and OPP Nitric Acid as well as freight/insurance revenues derived from external sale of ammonia using Yara's fleet of own and leased vessels¹²⁾.
- **Definition of Yara eligible CapEx**
Yara eligible CapEx refers to additions to capitalized property, plant and equipment¹³⁾, intangible assets¹⁴⁾ and right-of-use assets¹⁵⁾. This constitutes OPP ammonia and OPP nitric acid production assets and other assets which refers directly to such production

⁸⁾ Disclosure delegated act article 1

⁹⁾ Refer to EU Taxonomy activity 3.15 and 3.16

¹⁰⁾ Refer to EU Taxonomy activity 6.10

¹¹⁾ Refer to IFRS 15 Revenue from Contracts with Customers

¹²⁾ Refer to Yara Consolidated Financial Statements 2021 note 2.1 Revenue from contracts with customers

¹³⁾ Refer to IAS 16 Property, plant and equipment

¹⁴⁾ Refer to IAS 38 Intangible assets

¹⁵⁾ Refer to IFRS 16 Leases

assets, as well as CapEx related to Yara's fleet of own and leased vessels. Investments shared with other assets are not included.

- **Definition of Yara eligible OpEx**

Yara eligible OpEx refers to non-capitalized, direct expenditures relating to the day-to-day servicing of assets that are necessary to ensure the continued and effective functioning of OPP ammonia and OPP nitric acid production assets as well as Yara's fleet of own and leased vessels. The eligible OpEx is defined by Yara as capacity related costs (CRC) of operating these production assets and vessels, including but not limited to maintenance, repair, insurance, and employee benefits. Any product variable costs (raw materials, change in inventory etc.), as well as any selling, general and administrative costs (SG&A) are excluded together with any depreciation, amortization, and impairment. If costs are split to define direct expenditures relating ammonia and nitric production assets and other assets, a best estimate approach is applied.

Joint operations are included in the reported Taxonomy-eligible Revenue, CapEx and OpEx to the extent of Yara's ownership share if they hold ammonia and/or nitric acid production assets. As of Year End 2021 the following joint operations are included:

- **Yara Pilbara Nitrates Pty Ltd (Pilbara)**

Owns a technical ammonium nitrate (TAN) plant next to Yara's ammonia plant in the Pilbara region of Australia. The company is 50% owned by Yara and 50% owned by Orica.

- **Trinidad Nitrogen Co. Ltd. (Tringen)**

Owns an ammonia complex consisting of two separate ammonia plants, which are managed and operated by Yara under a management and operating agreement. Yara has 49% ownership. The remaining 51% is owned by National Enterprises Limited, which is a publicly listed company in which the Government of the Republic of Trinidad and Tobago has the majority shareholding.

- **Yara Freeport LLC DBA Texas Ammonia (Freeport)**

Yara and The BASF Group have constructed an ammonia plant at BASF's site in Freeport, Texas, US. The company is 68% owned by Yara and 32% by BASF. The plant is managed and operated by BASF.

Estimated Taxonomy-eligible economic activities in Yara's Revenue, CapEx and OpEx in 2021

USD millions, except percentages

Economic activities	Revenue		CapEx		OpEx	
	Absolute	% ¹⁾	Absolute	% ²⁾	Absolute	% ³⁾
Taxonomy-eligible activities:						
Activity 3.15 Manufacture of anhydrous ammonia	1,284	8%	224	23%	253	19%
Activity 3.16 Manufacture of nitric acid	154	1%	219	22%	71	5%
Activity 6.10 Sea and coastal freight water transport	55	0%	55	6%	70	5%
Total taxonomy-eligible activities	1,494	9%	498	51%	394	30%
Total taxonomy non-eligible activities	15,123	91%	487	49%	942	70%
Total taxonomy-eligible and non-eligible activities	16,617	100%	985	100%	1,336	100%

¹⁾ Share of Yara's Revenue from contracts with customers as specified in Note 2.1 to the Group's Consolidated Financial Statements 2021.

²⁾ Share of Yara's additions to property, plant and equipment, intangible assets, and right-of-use assets as specified in note 4.1, 4.2 and 4.5 to the Group's Consolidated Financial Statements 2021.

³⁾ Share of Yara's total capacity related costs (CRC) of operating assets, refer definition above. OpEx as reported represent a subset of expenses presented in Yara's Consolidated Income Statement 2021, mainly included in the line items "payroll and related costs" and "other operating expenses".

Supplementary information on Taxonomy non-eligible Revenue in 2021

The EU Taxonomy sets criteria per sector and activity, not per product line. Activities are only eligible under the Taxonomy if they are explicitly described in delegated acts under the Regulation. An activity is only eligible for reporting revenue, assets, and processes in the value chain if it is explicitly included in the activity description.

Reference is made to Yara's main economic activities, which are manufacturing of fertilizers and nitrogen compounds. In the value chain of production of finished products, Yara has as of Year End 2021 only identified manufacture of anhydrous ammonia and manufacture of nitric acid as taxonomy-eligible activities with reference to the Climate Delegated Act. No other Yara activities in the value chain of generating revenue from the sale of fertilizer and industrial solutions are identified as Taxonomy-eligible. As a result,

reported Taxonomy-eligible revenue refers only to external sales of ammonia and nitric acid and represents a limited share of Yara's reported revenues in the Group's Consolidated Financial Statements in accordance with IFRS¹⁶⁾. On this basis, Yara sees a need to provide information on how the Group's ammonia and nitric acid production assets contribute to the generation of revenues from an overall Group perspective.

Ammonia is the main input factor in most Yara produced fertilizers. Yara manufacture own ammonia (OPP ammonia). In addition, Yara purchases ammonia from third party suppliers (TPP ammonia). The balance of the use of OPP and TPP ammonia in the various products depends on regional location of production facilities as well as Yara's internal optimization and utilization through Yara's global ammonia trade and shipping activity.¹⁷⁾ To a large extent OPP

and TPP ammonia are used as input factors in Yara's manufacture of Nitric Acid (OPP nitric acid) to derive the products Ammonium Nitrate (AN), Calcium Nitrate (CN), Calcium Ammonium Nitrate (CAN) and NPK. OPP and TPP ammonia is also used directly in the production of Urea and combined with AN to produce Urea Ammonium Nitrate (UAN).

Yara consequently generates significant revenue through the value chain based on the Group's own production of ammonia and nitric acid. This includes Yara's purchase of ammonia from third party suppliers (TPP) when used in the Group's Nitric Acid production. To provide useful information on non-eligible Revenue derived from group internal use of OPP ammonia and OPP nitric acid, non-eligible revenues are specified as follows:

¹⁶⁾ International Financial Reporting Standards

¹⁷⁾ Yara's ammonia trade and shipping activity plays a vital role in Yara's production system as it allocates excess volume from producer plants and delivers to consumer plants in a timely manner in order to ensure full production capacity utilization. Besides significant intra-group purchases and sales, Yara Ammonia Trade and shipping purchases ammonia from third parties predominantly to supply its European production region.

Specification of Taxonomy non-eligible economic activities in Yara's Revenue in 2021

USD millions, except percentages	Non-eligible Revenue	
	Absolute	%
Products based on Yara manufactured ammonia/nitric acid:		
Urea	2,236	13%
Urea Ammonium Nitrates (UAN)	228	1%
Ammonium Nitrates (AN, CAN, TAN)	1,806	11%
Calcium Nitrates (CN)	419	3%
NPK	1,026	6%
Other	130	1%
Sum products based on Yara OPP ammonia/nitric acid:	5,845	35%
Other non-eligible activities	9,278	56%
Total taxonomy non-eligible activities	15,123	91%
USD millions, except percentages	Eligible Revenue	
	Absolute	%
Total taxonomy-eligible activities	1,494	9%
USD millions, except percentages	Total Revenue	
	Absolute	%
Total taxonomy-eligible and non-eligible activities	16,617	100%

The table specifies estimated IFRS 15¹⁸⁾ revenues derived from external sales of Urea, Urea Ammonium Nitrates (UAN), Ammonium Nitrates (AN), Calcium Ammonium Nitrates (CAN), Technical Ammonium Nitrates (TAN), Calcium Nitrates (CN), and NPK when these products are derived from OPP Ammonia and/or OPP Nitric Acid. Internal sales data from Yara's Ammonia Trade & Shipping activity is used to separate revenues derived from OPP and TPP ammonia, respectively. The share of revenue referring to the calcium part of CAN and CN together with the phosphate (P) and potash (K) part of NPK is excluded as they are not associated with Yara's own production of ammonia and nitric acid. For simplicity, local on-site inventory levels are not taken into account when calculating the estimated revenue. NPK premium above spot prices for N, P and K is allocated to the N part on a pro rata basis.

¹⁸⁾ IFRS 15 Revenue from Contracts with Customers



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