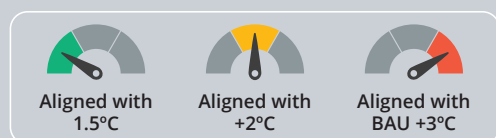




### Overall Assessment

**Colgate is expected to align with a BAU warming scenario of +3°C by 2030.**

Based on Planet Tracker’s assessment, Colgate-Palmolive is expected to align with a +3°C pathway by 2030. Failure to mitigate its upstream Scope 3 emissions will be the primary cause of the discrepancy between the company’s total greenhouse gas (GhG) emissions suggested by the Science-Based Targets Initiative (SBTi) and Planet Tracker’s projection. Despite the board and management’s oversight of its sustainability targets, the company’s engagement with its value chain does not demonstrate sufficient efficacy towards closing the gap. In 2022, a link has been established between sustainability targets and executive remuneration. Still, the company’s risk and opportunity identification process lacks quantified metrics for mitigating or managing the identified risks. While its Climate Transition Plan (CTA) outlines a set of initiatives to mitigate the company’s environmental impact, the lack of necessary investments will result in its extrapolated emissions trend surpassing the recommended SBTs emissions level. According to Planet Tracker’s analysis, the company’s trajectory will align with a 2°C warming scenario by 2030 if optional emissions are considered in the SBTs budget, and a 3°C pathway if not.



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



### Climate Alignment

- Based on Planet Tracker’s calculations, by 2030, Colgate-Palmolive’s Scope 3 activities are expected to contribute to over 98% of the company’s GhG emissions.
- Without further mitigation of upstream Scope 3 emissions, irrespective of the inclusion of optional SBTs categories to be considered for Net Zero, the company will fail to align with a 1.5°C scenario by 2030.



### Policy and Governance

- Colgate-Palmolive’s value chain engagement strategy has notable shortcomings, as the main sources of GhG emissions they target have registered a considerable expansion over the past half-decade, while the engagement strategy remains unchanged.
- The company’s sustainability targets have a reasonable level of oversight from the board and management and the 2022 annual compensation plan includes for the first time sustainability-linked performance metrics.



### Risk Analysis

- Planet Tracker’s analysis indicates that the expected financial impact of climate-related risks over the next decade will amount to approximately 57% of Colgate’s current five-year average annual operating profit, with Carbon Pricing Mechanisms contributing to 31%, and Water Scarcity to 26% of the total impact.
- The company fails to provide quantified financial impacts and metrics for managing climate change and transition risks, leading to doubts about Colgate’s ability to meet its reduction targets by 2030.



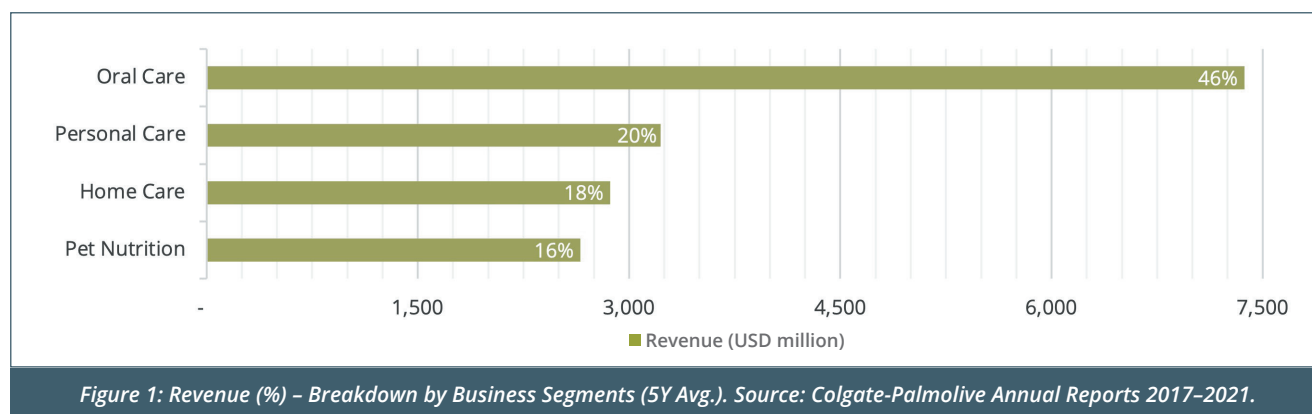
### Strategy Assessment

- Colgate-Palmolive’s lack of investment disclosure and absence of a clear strategy to reduce its future main source of emissions, i.e., Scope 3 upstream activities, raises concerns about the alignment of its capital allocation with its emission reduction objectives.
- Without the necessary investment, Colgate’s upstream Scope 3 emissions trend will surpass the recommended SBT level, leading the company’s emissions trajectory to align with a 2°C pathway if optional categories are incorporated into its emissions budget, and over 3°C pathway if not, by 2030.

## Company Overview

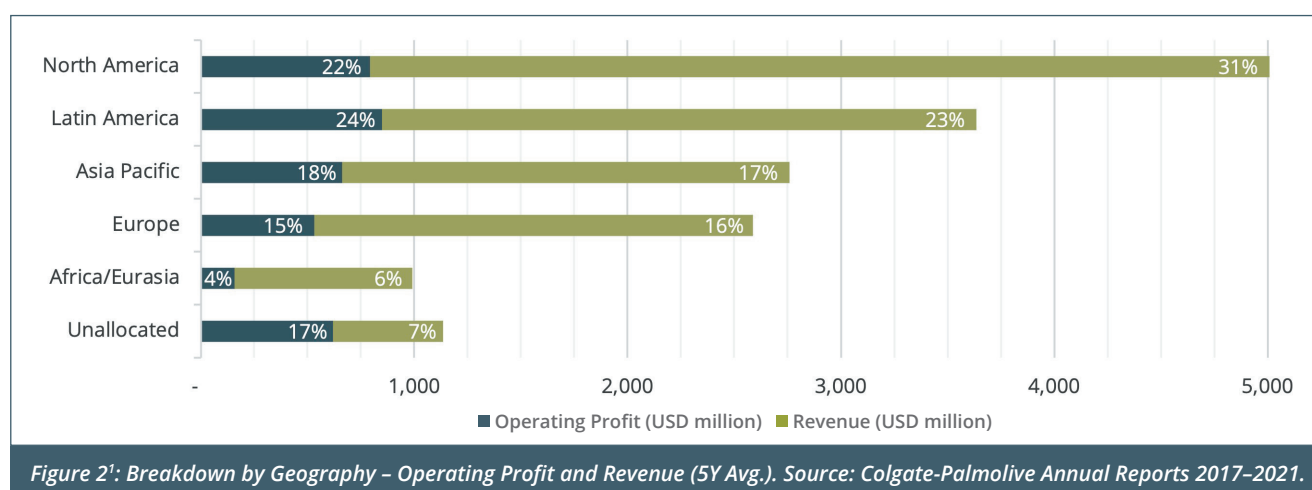
Colgate-Palmolive (CL:US), a global consumer product company, derives a substantial portion of its revenue from its flagship oral care line, which has consistently contributed an average of 46% over the past five years (2017–2021). Beyond its flagship

line, the company operates across three additional segments, namely personal care, home care and pet nutrition, generating 20%, 18% and 16% of its revenue respectively – see Figure 1.



Over the 2017–2021 period, Colgate-Palmolive achieved an average total revenue of USD 16.1 billion, accompanied by an average total operating profit of USD 3.6 billion, resulting in an average gross profit margin of 22%. Notably, the North American region emerged as the company's primary

contributor, accounting for 31% of revenue and 22% of operating profit. The Latin America region closely followed, representing 23% of revenue and 24% of operating profit. Meanwhile, the Asia Pacific region secured the third position, contributing 17% of revenue and 18% of operating profit – see Figure 2.



<sup>1</sup> Unallocated stands for Pet Nutrition sales which were not assigned a regional geographic distribution.



In its 2021 Annual Report, Colgate-Palmolive disclosed that **over the last three years (2019–2021), on average, 45% of the company's long-lived assets<sup>2</sup> or USD 4.2 billion were located in the United States,**

thus revealing a higher geographic dependence on the North American region. Additionally, the company was reliant on three main natural commodities over the same period – see Table 1.

Table 1: % of Revenue Dependent on Natural Commodities. Source: Colgate-Palmolive's Forests CDP Reports 2020–2022.

	2019	2020	2021
Timber Products	91-99%	91-99%	91-99%
Palm Oil	21-30%	21-30%	21-30%
Soy	6-10%	6-10%	6-10%

Furthermore, a sourcing country dependency matrix is presented in Table 2, based on the provided commodity ranges and sourcing countries. The table reveals that **between 33% and 40% of the company's revenue is dependent on commodities sourced from Latin America, while between 21% and 30% is dependent**

**on commodities sourced from the Asia Pacific region.** The top three suppliers of timber products were **Mexico, Brazil and Colombia**, while **Indonesia, Malaysia and Thailand** were the top three palm oil suppliers with significant revenue impacts.

Table 2: Natural Commodities – Revenue Dependency. Source: Colgate-Palmolive's Forests CDP Reports 2020–2022.

	Minimum dependency			Maximum dependency		
	Timber Products	Palm Oil	Soy	Timber Products	Palm Oil	Soy
Argentina			2%			3%
Brazil	11%			12%		1%
Colombia	4%	1%		5%	1%	
Ecuador					1%	
Guatemala		2%			2%	
Honduras						
Indonesia		8%			11%	
India	1%			1%		
Malaysia	1%	5%		1%	8%	
Mexico	13%			14%	1%	
Nicaragua						
Thailand	3%	3%		4%	5%	
Unknown <sup>3</sup>	11%			11%		
Other <sup>4</sup>	46%	1%	4%	50%	1%	7%

<sup>2</sup> Long-lived assets include property, plant and equipment, and net and lease right-of-use assets.

<sup>3</sup> Of the 'unknown' category, 29.5% of the volume was reported as being sourced from multiple countries, primarily the US, Brazil and China (as an aggregate), 4.3% of the volume is recycled material without a known country of origin, while 1.8% of the volume was validated as unknown origin without further information.

<sup>4</sup> Since the Forest CDP reports focus on deforestation risk, without further information being disclosed by the company, we assume the 'other' category refers to countries/regions outside deforestation-risk areas.



It is of special note that palm oil sourced from Southeast Asia (Indonesia and Malaysia in particular) and timber products from Brazil could expose the company to substantial risks from deforestation and land use change due to the sensitivity of these areas to the mentioned risks.

In conclusion, although with some limitations, Colgate-Palmolive's dependence on North America, Latin

America and Asia Pacific is apparent from its revenue sources, invested capital and key suppliers' locations<sup>5</sup>.

**The company is primarily exposed to these regions' climate risks and related policies**, particularly in the **United States, Mexico, Brazil, Indonesia and Malaysia**.

<sup>5</sup> Please bear in mind that the CDP Forest Reports only disclose commodities linked to potential deforestation risk; thus, our assumption might have limitations.

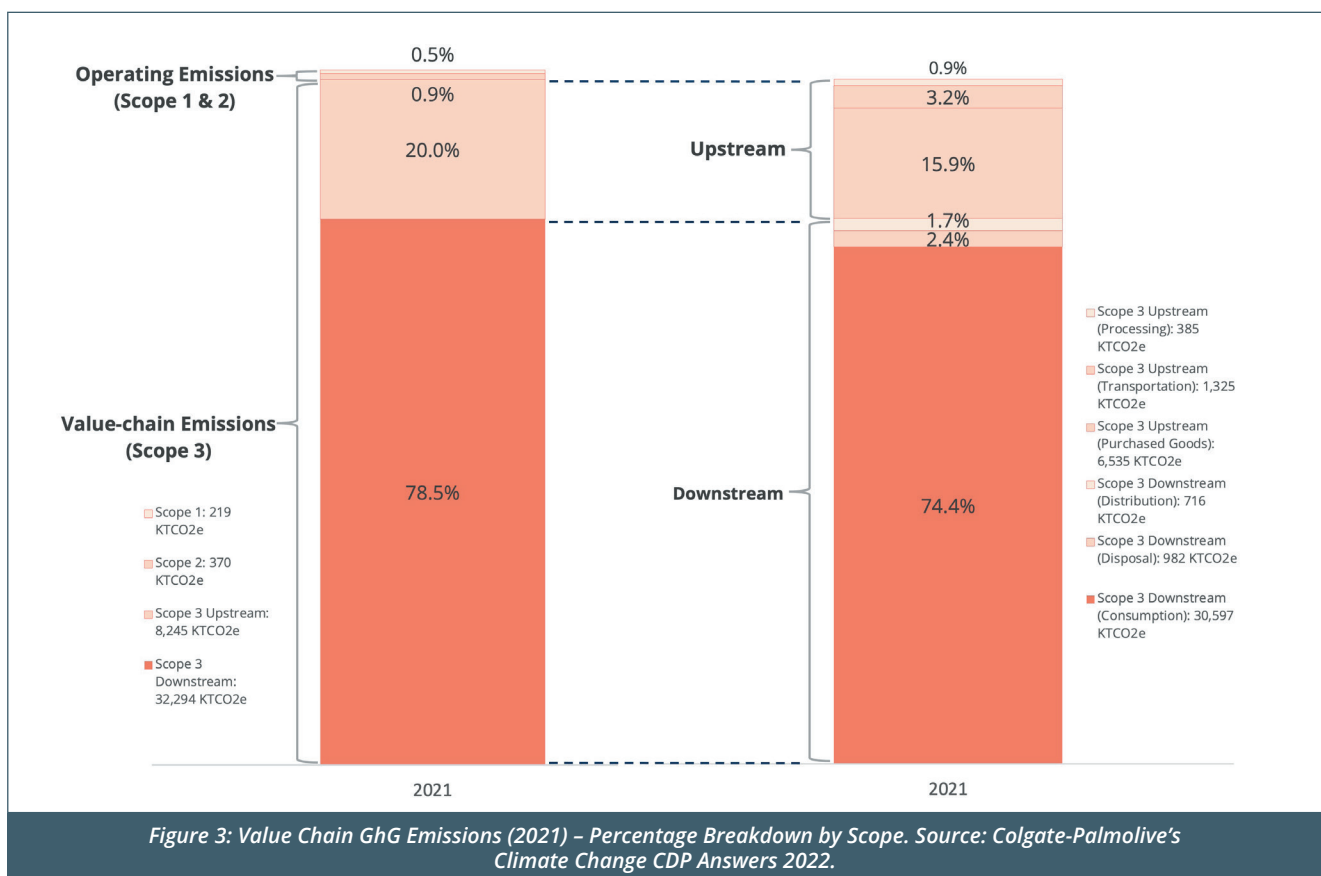


## Climate Alignment

### EMISSIONS INVENTORY

Colgate-Palmolive's greenhouse gas (GhG) emissions averaged 47,837 KTCO<sub>2</sub>e between 2017 and 2021, with a peak of 54,703 KTCO<sub>2</sub>e in 2017 and a minimum of 41,128 KTCO<sub>2</sub>e in 2021<sup>6</sup>. Over the five-year period, the compounded annual change rate was an average decrease of nearly 7%. In 2021, 0.5% of the total

emissions came from Scope 1, 1% from location-based Scope 2, and the majority, 98.5%, from Scope 3. Within Scope 3, 20% of the emissions came from upstream activities<sup>7</sup>, while 78.5% came from downstream activities<sup>8</sup>. The top three sources of Scope 3 emissions were 'Consumption' (74%), 'Purchased Goods' (16%), and 'Distribution' (3%) - see Figure 3.



<sup>6</sup> Source: CDP Climate responses 2018-2022.

<sup>7</sup> Scope 3 upstream emissions include: (1) Purchased Goods - accounting for the emissions from the (a) extraction and production of raw materials - which represent 95% of this Scope 3 category, the (b) extraction and production of packaging materials, the (c) indirect goods and services linked to production and the (d) contract manufacturers; (2) Processing - including the emissions from 'Capital Goods', 'Leased Assets', 'Fuel and Energy Activities' not covered in Scope 1 and 2, and emissions from 'Waste from Operations'; (3) Transportation - covering emissions from 'Inbound Transport' and 'Employee commuting'.

<sup>8</sup> Scope 3 downstream emissions include: (1) Consumption - covering emissions from the 'Use of sold products,' which stands for emissions from complementary products and services used together with company's products - e.g., emissions from energy consumption to refrigerate (opened) cans of wet pet food; (2) Distribution - accounting for the emissions linked to downstream 'Transportation and Distribution' and 'Business Travel'; (3) Disposal - including emissions from the 'End of Life of Sold Products'.



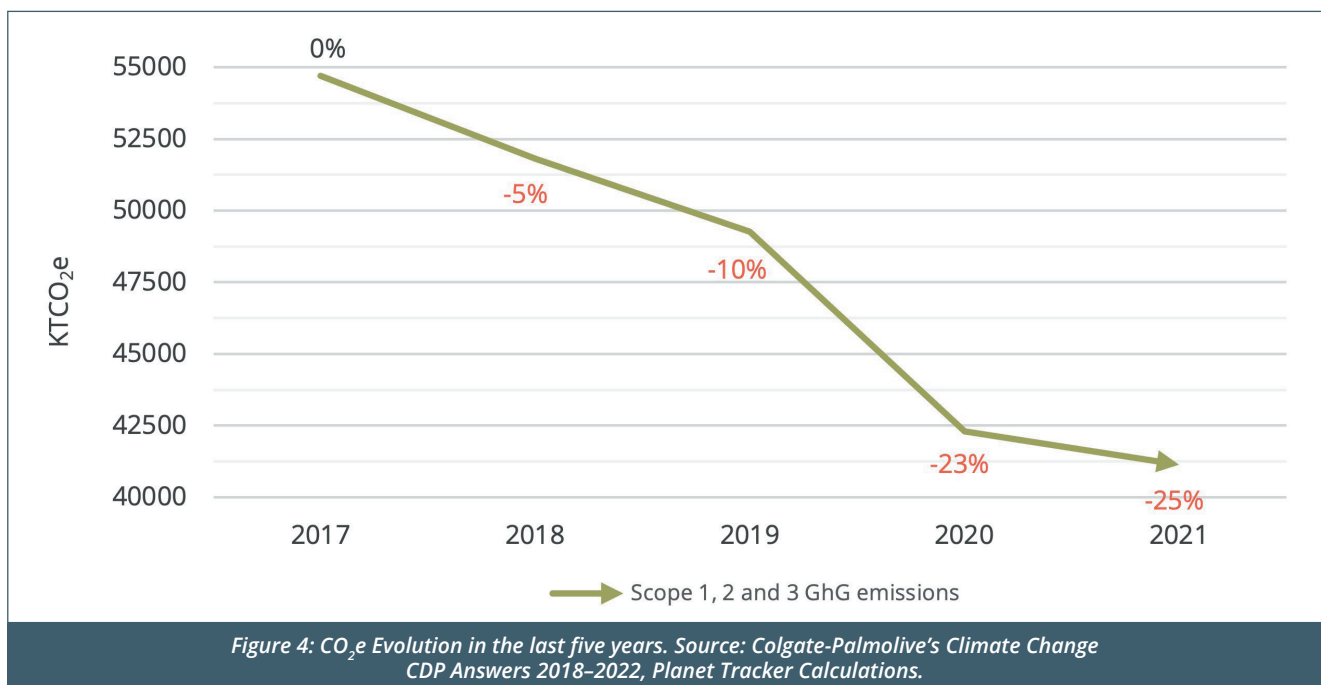
It is of note that **Colgate-Palmolive does not disclose the specific methodology it uses to calculate its Scope 3 emissions** nor explicitly states whether land use change emissions are included in its calculations. And although its emissions are validated in line with the

Greenhouse Gas Protocol it is worth acknowledging that at the time of this report the 'GhG Protocol Land Sector and Removals Guidance' is still in the draft stage<sup>9</sup>. Thus, **it is possible that Colgate-Palmolive's upstream Scope 3 contribution is larger than depicted.**

## EXTERNALITIES TRENDS AND TARGETS

Between 2017 and 2021, Colgate-Palmolive's GhG emissions decreased at an average annual rate of 7%, with an absolute **increase of 8% in Scope 1 emissions and 61% in upstream Scope 3 emissions.**

**In contrast, location-based Scope 2 emissions decreased by 11% and downstream Scope 3 emissions decreased by 34%, leading to a total absolute reduction in Colgate-Palmolive's emissions of 25%** – see Figure 4.



Notably, **Colgate-Palmolive's revenue increased at a compound annual growth rate of 3% during the 2017-2021 period**, similar to the company long-term revenue growth target of 3% to 5% per annum<sup>10</sup>. Therefore, projecting the company's historical trend of

emissions into the future takes into account by default the company's economic growth. Since this five-year interval also includes the recent COVID-19 pandemic, the extrapolation would also take into consideration by default the temporary economic downturns.

<sup>9</sup> The 'GhG Protocol Land Sector and Removals Guidance' explains how companies should account for and report GhG emissions and removals from land management, land use change, biogenic products, carbon dioxide removal technologies, and related activities in GhG inventories, building on the Corporate Standard and Scope 3 Standard. The guidance is currently being developed and the Draft for Pilot Testing and Review is now available, although the Guidance will be finalised and published in 2023 – more details [here](#).

<sup>10</sup> Source: <https://investor.colgatepalmolive.com/news-releases/news-release-details/colgate-announces-4th-quarter-and-full-year-2022-results>



To project the company's emissions up to 2030, a simple extrapolation model of compounding forward the annual rate of change in emissions of the last five years is employed. Please bear in mind, that our extrapolated trend implies by default that no further mitigation actions are taken by the company and that is why we subsequently look at their engagement and investment to assess whether they will continue their progress or the historical trend will prevail.

Based on this model, **Scope 1 emissions are projected to increase at a rate of 2% per year, while Scope 2 emissions are projected to decrease at a rate of nearly 3% per year. Upstream Scope 3 emissions are expected to increase by more than 12% per year, while downstream Scope 3 emissions are expected**

**to decrease by almost 10% per year.**

Extrapolating these trends into the future, **Scope 1 and 2 are projected to reach 237 KTCO<sub>2</sub>e and 330 KTCO<sub>2</sub>e by 2025, and 262 KTCO<sub>2</sub>e and 285 KTCO<sub>2</sub>e by 2030, respectively.** Meanwhile, **upstream Scope 3 emissions are expected to reach 13,278 KTCO<sub>2</sub>e by 2025 and 24,087 KTCO<sub>2</sub>e by 2030, while downstream Scope 3 emissions are expected to reach 21,299 KTCO<sub>2</sub>e and 12,659 KTCO<sub>2</sub>e by 2025 and 2030, respectively.**

Overall, **the extrapolated emissions by 2030 are estimated to be 37,293 KTCO<sub>2</sub>e, with 0.7% belonging to Scope 1 activities, 0.8% to location-based Scope 2, almost 65% to Scope 3 upstream, and 34% to Scope 3 downstream** – see Figure 5.

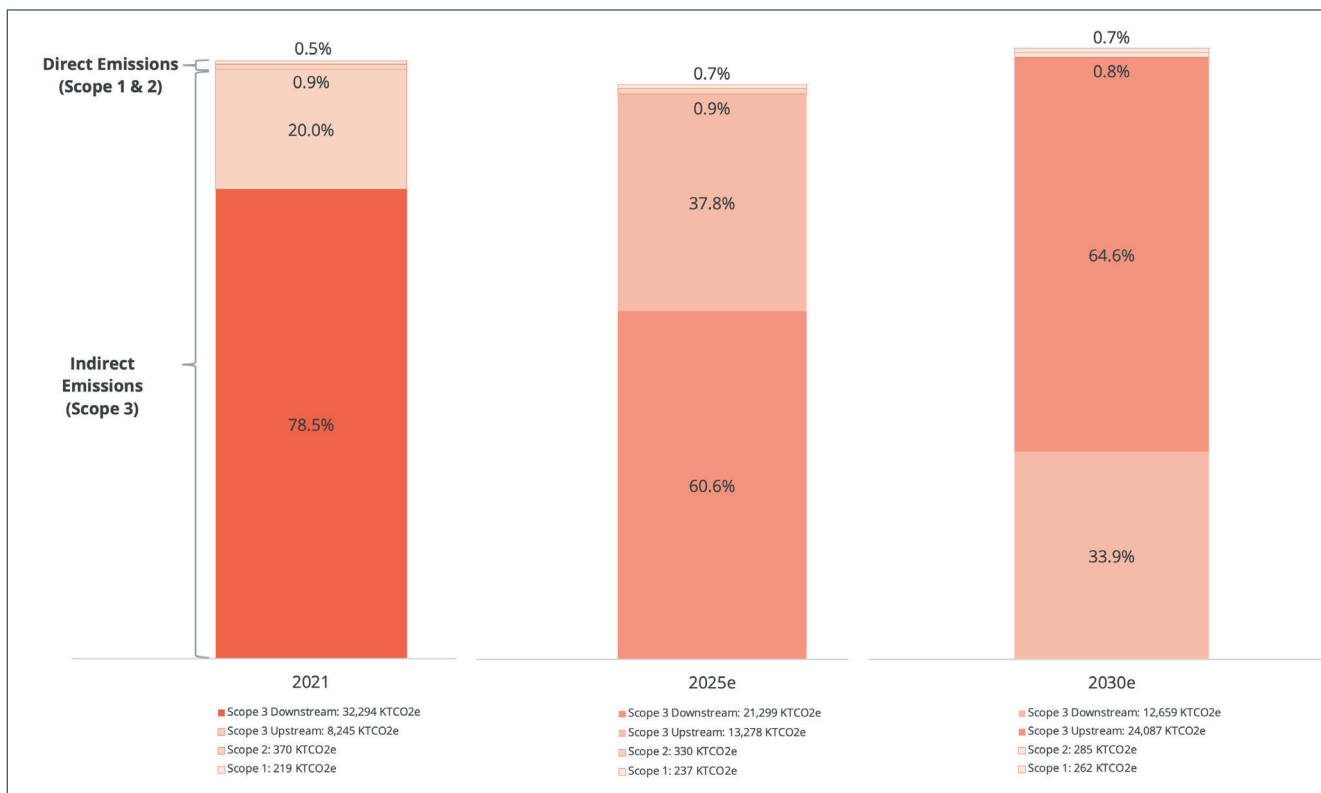


Figure 5: Value Chain GhG Emissions (2025e & 2030e) – Percentage Breakdown by Scope.  
Source: Colgate-Palmolive's Climate Change CDP Answers 2018–2022, Planet Tracker Calculations.

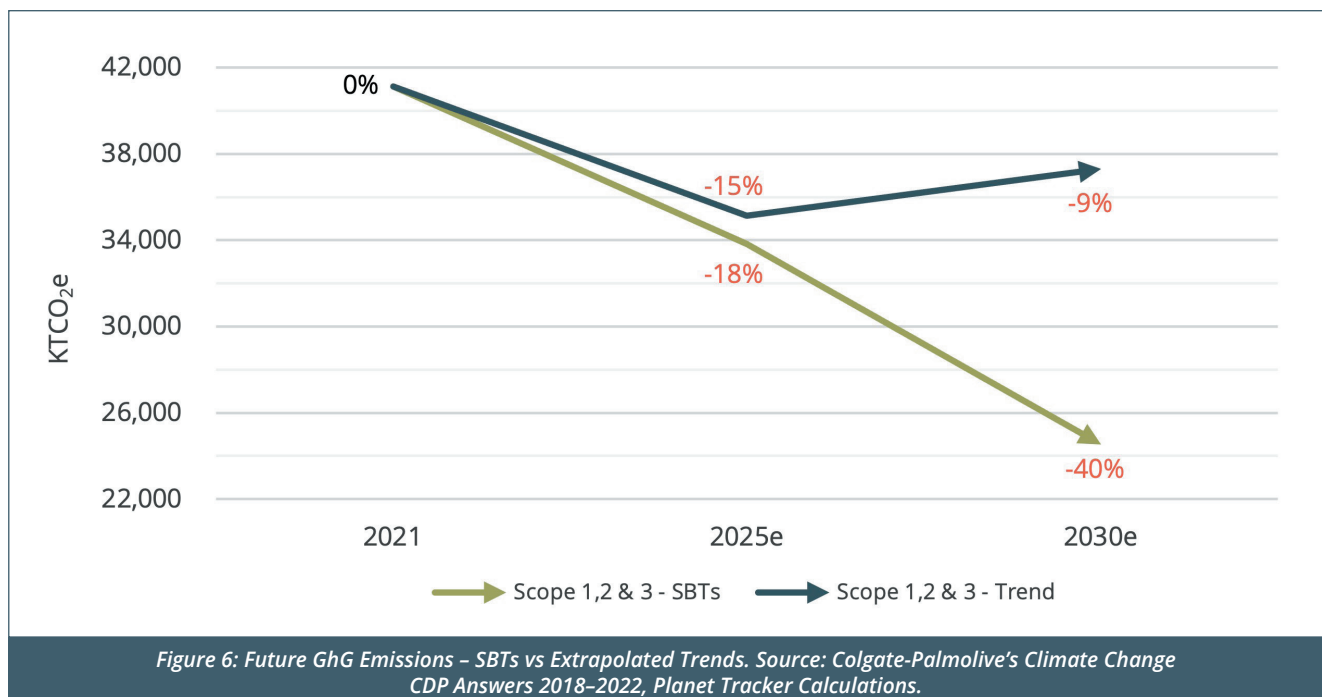


In 2022, Colgate-Palmolive released its **Climate Transition Net Zero Plan (CTP)**, outlining its climate strategy and emission reduction targets. The company's plan is **set to decrease its Scope 1, 2, and upstream Scope 3 'Purchased Goods' emissions by 20% in absolute terms by 2025, and by 42% in absolute terms by 2030**. Additionally, **the company intends to reduce its Scope 1, 2, and 3 emissions by 90% against a 2020 baseline and achieve Net Zero carbon emissions across its value chain by 2040**. However, **these long-term goals exclude Scope 3 categories 9, 11, and 12<sup>11</sup>, which are defined as downstream 'distribution', 'consumption' and 'disposal', as well as any other optional emissions per the SBTi Net Zero Standard<sup>12</sup>**.

To evaluate Colgate-Palmolive's future alignment with a 1.5°C pathway by 2030, **Planet Tracker calculated the company's recommended SBT emissions level using the standard 42% absolute reduction by 2030 for all of the company's disclosed categories from a 2020 baseline**. Accordingly, from a 2020 base year Colgate-

Palmolive's total GhG emissions must be reduced to 33,832 KTCO<sub>2</sub>e by 2025 and 24,528 KTCO<sub>2</sub>e by 2030. In comparison, **from a 2021 baseline (41,128 KTCO<sub>2</sub>e)**, when the company's GhG emissions slightly decreased compared to 2020 (of 42,290 KTCO<sub>2</sub>e), **Colgate-Palmolive will need to reduce its GhG emissions by 18% by 2025 and by 40% by 2030**. However, **the extrapolated trend of emissions from a 2021 baseline**, will indicate that under a 3% annual revenue growth, **Colgate-Palmolive's emissions will decrease by 15% by 2025, reaching 35,143 KTCO<sub>2</sub>e, but only by 9% by 2030, reaching 37,293 KTCO<sub>2</sub>e** – see Figure 6.

The observed reversal in the trend can be attributed to the notable surge in absolute upstream Scope 3 emissions, coupled with the continued but lower absolute decline of downstream Scope 3 emissions. This will ultimately result in an inversion of the relationship depicted in 2021, whereby the majority of Colgate-Palmolive's GhG emissions will be attributed to upstream emissions in 2030 – see Figure 5.



<sup>11</sup> These three categories make up the total downstream emissions disclosed in 2021.

<sup>12</sup> For more details visit - <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>



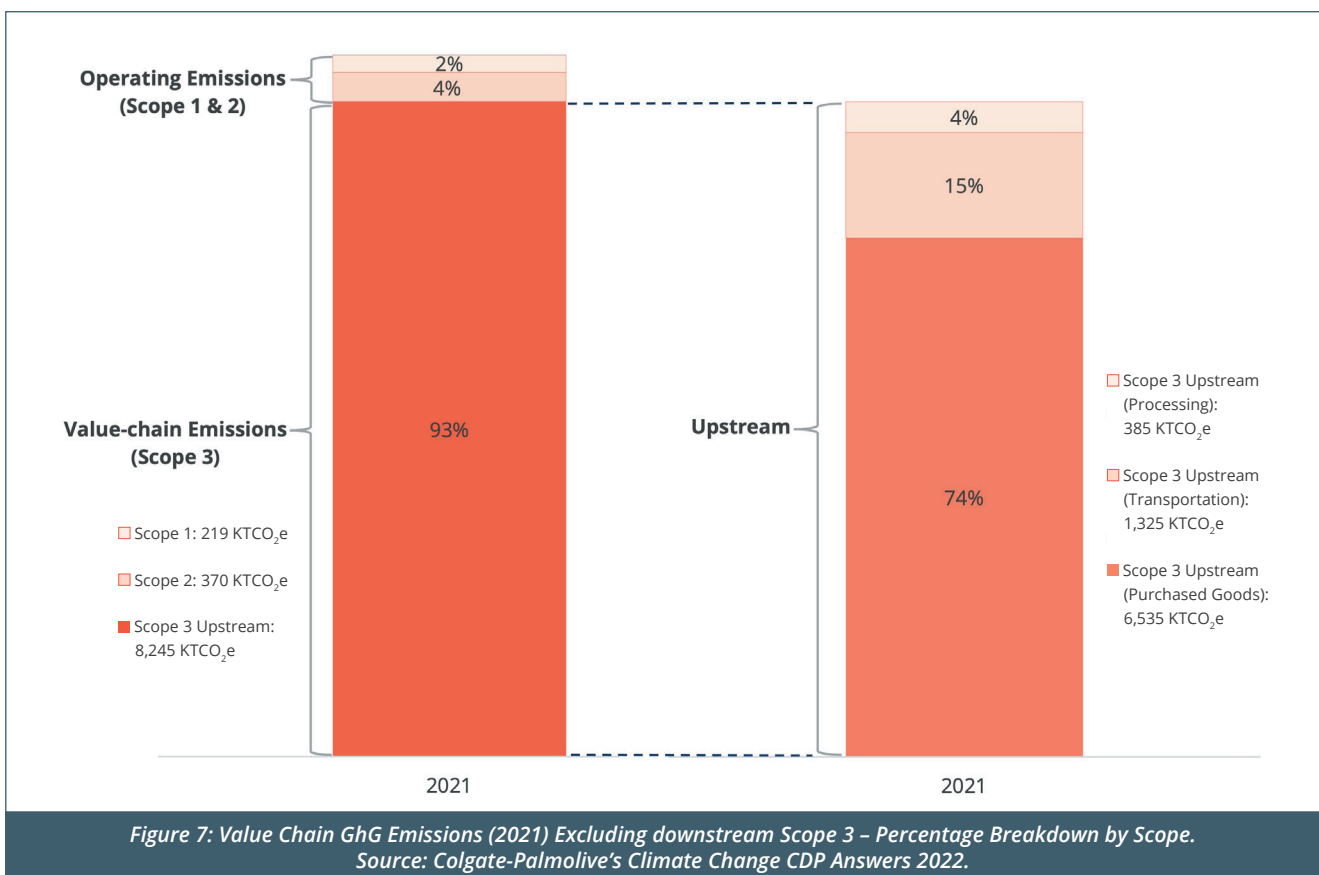


As observed in Figure 6, by 2030, **Colgate-Palmolive's Scope 1, 2 (location-based) and 3 GhG emissions are estimated to be 52% higher than the SBT's recommended level.** Our climate sensitivity model, further detailed in the 'Strategic Assessment', suggests that if the company's current trend of emissions remains unmitigated, Colgate-Palmolive will align with a 1.7°C scenario by 2030, indicating a 2°C outcome by 2030.

It is worth noting, however, that according to the **GhG Protocol, indirect use-phase emissions are not mandatory to report for Scope 3 emissions,** and the SBTi approves targets with a similar approach. Colgate-Palmolive's long-term Net Zero objectives also follow this exclusion, and at **Planet Tracker**, we **have**

**also considered the company's present profile and potential alignment if downstream Scope 3 emissions (i.e., 'distribution', 'consumption' and 'disposal') were excluded.**

In this case, **removing downstream Scope 3 emissions would result in total GhG emissions of 8,834 KTCO<sub>2</sub>e in 2021, with Scope 1 and 2 accounting for 2% and 4%, respectively, and the remaining 93% belonging to upstream Scope 3.** Within this category, **4% of Colgate-Palmolive's total GhG emissions would arise from upstream processing activities, 15% from upstream transportation activities, and the majority of 74% from upstream purchased goods** – see Figure 7.



<sup>13</sup> For more details visit – <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>



Extrapolating these trends to 2030 would result in the same quantities as depicted in Figure 5, with the exception of downstream Scope 3 emissions, which have been excluded. However, upstream Scope 3 emissions would account for almost 98% of the total GhG emissions of 24,634 KTCO<sub>2</sub>e. In comparison, SBTs recommend a total GHG emissions level of 3,521 KTCO<sub>2</sub>e by 2030<sup>14</sup>.

Therefore, it is concluded that **when downstream Scope 3 emissions are removed from the calculations, Colgate-Palmolive's total GhG emissions level by 2030 based on its trend of**

**emissions would be seven times higher than the recommended level set by the SBTi.**

Based on our climate sensitivity model, **this represents a 600% overshoot, indicating that Colgate-Palmolive would align with a 3.9°C scenario by 2030, placing the company on a business-as-usual (BAU) pathway. Without further mitigation of upstream Scope 3 emissions, irrespective of the alignment approach taken or categories considered for Net Zero, the company will fail to align with a 1.5°C pathway by 2030.**

<sup>14</sup> Based on a 42% reduction of the 2020 baseline of 6,071 KTCO<sub>2</sub>e.



## Policy and Governance

### ENGAGEMENT AND INFLUENCE

#### Suppliers' Engagement

In the response to the CDP questionnaire on climate change in 2022, Colgate-Palmolive outlines the implementation of an engagement and incentivisation **strategy designed to modify supplier behaviour regarding climate change**. The campaign aims to **target 5% of suppliers by number and 56% of total procurement spend, with a focus on prioritising agricultural materials and forest commodities suppliers due to their significant contribution of 80% of the company's 'Purchased Goods' emissions**. However, **the precise percentage of supplier-related Scope 3 emissions this campaign covers is not disclosed**.

**The engagement strategy focuses on encouraging suppliers to set science-based climate targets, assess their climate and water risks, improve their energy and water efficiency, and increase their use of renewable energy**. The engagement is done via educational webinars, sharing best practices, data collection, one-on-one partnerships and third-party tools implementation to help consolidate and track progress. The company utilises various methods to measure its success, such as ongoing engagement with suppliers and the response rate to the CDP Supply Chain Program Climate Disclosure. Colgate-Palmolive has been a member of CDP's Supply Chain Leadership Collaboration Project since 2008, and in 2021, 78% of invited suppliers responded to the survey, including the company's largest raw material suppliers and contract manufacturers. However, this figure is lower than that of its competitor, Unilever<sup>15</sup>, which achieved a 93% participation rate.

While Colgate-Palmolive's supplier engagement strategy is aimed at reducing Scope 3 emissions and achieving Net Zero by 2040, it is worth noting that **concrete actions tied to the absolute amount of**

**GhG emissions intended to be mitigated are not explicitly stated**. Therefore, **it is not possible to assess if this engagement is sufficient to achieve the company's objectives** by the set date. Especially **since under similar historic engagement strategies, 'Purchased Goods' emissions increased by 58% in absolute terms from 2017 to 2021**. In Planet Tracker's view, this outcome is explained, at least in part, by the company not following up with the required investment in emissions mitigation strategies once the target setting and data collection and reporting activities are undertaken.

#### Other Value Chain Partners' Engagement

In its 2022 Climate Change CDP response, Colgate-Palmolive also outlines its strategy for engaging with other partners in the value chain to enhance its GhG mitigation objectives. The company reports that it has been working closely with third-party logistics providers **to develop climate-related initiatives that support sustainable and efficient logistics, particularly in its upstream 'Transportation and Distribution'**.

**These initiatives include load optimisation, zero empty miles, container utilisation, paperwork reduction, energy efficiency, improving fuel efficiency and distribution network optimisation**.

For instance, Colgate has implemented SAP Transportation Management to plan shipments automatically and optimise its loads, has collaborated with other firms to manage roundtrips more efficiently, aiming for zero empty miles, and has adjusted the stackability factor of its products to enable double stacking in ocean freight shipments, reducing the number of containers shipped. Additionally, Colgate-Palmolive has expanded e-invoicing to reduce customers' need to print invoices and streamlined the delivery of shipments. The company is also tracking energy consumption in its owned warehouses and has implemented the IMO2020 regulations to reduce

<sup>15</sup> Read full report [here](#)



sulphur oxide emissions in ocean shipping from 3.5% 79 m/m to 0.5% m/m.

However, **despite these efforts, Colgate's GhG emissions linked to Scope 3 upstream Transportation and Distribution increased by 152% from 2017 to 2021.**

Furthermore, **overall upstream Scope 3 emissions increased by 61% during the same period**, indicating that the company's engagement with suppliers and logistics partners has not been sufficient so far. As such, **the company must revisit its engagement strategy and implement additional actions linked to the expected absolute mitigation these actions intend to obtain, if the company aims to achieve Net-zero across its value chain by 2040.**

Lastly, lagging behind its peers<sup>16</sup>, **Colgate-Palmolive has not disclosed any customer engagement**

**activities despite the magnitude of emissions coming from its downstream Scope 3 activities.**

### Influence on Policymakers

Colgate-Palmolive's engagement with climate-related regulations has been found to be focused on a limited number of specific climate policies. The organisation has set internal GhG targets but has not publicly disclosed its stance on legislative targets. Furthermore, there is no apparent disclosure of the company's position on, or involvement with, different aspects of climate policy on its corporate website. However, Colgate-Palmolive has made some climate policy positions public in its 2022 CDP Disclosure. This disclosure mainly showcases the company's presence and influence within trade associations – see Table 3.

Table 3: Colgate-Palmolive's current position and engagement with Climate Policy.  
Source: Colgate-Palmolive Climate Change CDP Answers 2022.

Organisation	Current Position and Engagement
Consumer Goods Forum (CGF)	The aim of CGF's environmental sustainability programme is to position the consumer goods industry as a leading force in tackling climate change, reducing waste, and promoting environmental stewardship across global supply chains. Colgate's Chairman, President and Chief Executive Officer contributes significantly to sustainability-related decision-making as a member of the CGF Board.
International Association for Soaps, Detergents and Maintenance Products (AISE)	Colgate-Palmolive is an active participant on the Board of the AISE and has subscribed to its Charter for Sustainable Cleaning. It plays an integral role in the decision-making process of the organisation.
U.S. EPA Energy Star	The company is an Energy Star Partner Company in the industrial sector of the Environmental Protection Agency (EPA), committed to reducing emissions during the manufacturing process while focusing on energy efficiency and minimising their carbon footprint. A noteworthy 90% of Colgate's facilities have achieved ENERGY STAR Challenge for Industry status.
U.S. Green Building Council (USGBC)	Colgate-Palmolive is a proactive member of the USGBC and has achieved 27 Energy and Environmental Design (LEED) Certifications across 19 facilities worldwide. The company has made a pledge to LEED certification for all new construction projects.
The Sustainability Consortium (TSC)	The company is an engaged participant in TSC, serving on the Corporate Advisory Council. Colgate-Palmolive contributes significantly to the formulation of key metrics to assess sustainability initiatives and plays a crucial role in developing a standardised framework for communicating sustainability-related information across the product sustainability value chain, until reaching consumers.
Roundtable on Sustainable Palm Oil (RSPO)	Colgate-Palmolive is an RSPO member company since 2012. In line with the organisation, it issued its responsible and sustainable palm oil sourcing policy in 2016.

<sup>16</sup> More details of our Climate Transition Analysis featuring Unilever PLC could be found [here](#).



On top of the trade associations presented above Colgate-Palmolive is a member of 'We Mean Business', and has publicly committed to climate-related initiatives, including the adoption of science-based emissions reduction targets and the elimination of commodity-driven deforestation from all supply chains through the We Mean Business Take Action Platform.

The company is also a member of the United Nations Global Compact (UNGC) since May 2017, currently holding the status of a UN Global Compact LEAD member. Colgate is part of two UNGC Action Platforms that center around climate change and water: 'Business

Ambitions for Climate and Health' and 'Water Security through Stewardship'.

In essence, **Colgate-Palmolive's value chain engagement strategy exhibits significant limitations, with the GhG emissions from targeted areas consistently experiencing substantial growth over the last five years.**

**Furthermore, the company's coverage and influence regarding Climate Policy appear to be modest as well, detracting forward from Colgate-Palmolive's likelihood of achieving its climate targets.**



## MANAGEMENT ALIGNMENT

### Sustainability Targets Oversight

#### A. The Board

Colgate-Palmolive’s Board of Directors, presented in Table 4, seem to play a crucial role in overseeing and guiding the company’s climate strategy. According to the company, sustainability is integrated into all aspects of the business, and thus, the **Board addresses sustainability in its oversight of the company’s strategic plan, annual budget, capital expenditures, capital structure, innovation plans and reviews of operating divisions and functions, product categories, competitive and marketplace trends.**

**The Nominating, Governance, and Corporate Responsibility Committee (NGCR Committee) within the Board is responsible for overseeing Colgate’s sustainability programme,** including the 2025 Sustainability & Social Impact Strategy. According to the company, the management aims to provide the Board,

through the NGCR Committee, with the highlights of the company’s progress against the targets in the 2025 Sustainability & Social Impact Strategy, including the climate strategy, on an annual basis.

Furthermore, the Board is kept informed of climate-related risks through **the Audit Committee,** which **oversees the Company’s enterprise risk management (ERM) process and the implementation of appropriate risk monitoring and management systems.** Colgate-Palmolive states that the Audit Committee receives regular updates from members of the Company’s Enterprise Risk Management Committee (ERM Committee), which has identified sustainability, including climate change, as a critical risk facing the company.

Still, **despite the Boards stated oversight and the presence of the interacting committees presented above, Planet Tracker was unable to identify the scrutiny that the Board applied to the sustainability part of its oversight.**

Table 4: Board of Directors. Source: <https://www.colgatepalmolive.com/en-us/who-we-are/our-leadership-team>

Committee	Audit Committee	Nominating, Governance and Corporate Responsibility Committee	Finance Committee	Personnel and Organisation Committee
Noel Wallace				
John T. Cahill	Chair			•
John P. Bilbrey <sup>17</sup>		•	Chair	
Steve Cahillane				
Lisa M. Edwards		•	•	
C. Martin Harris		•		•
Martina Hund-Mejean	•		•	
Kimberly A. Nelson		•		•
Lorrie M. Norrington	•	Chair		
Michael B. Polk			•	Chair
Stephen I. Sadove	•			•

<sup>17</sup> John P. Bilbrey is no longer Colgate-Palmolive’s Chairman – it looks as though the committee members have not been updated on the website. For more details see - <https://www.colgatepalmolive.com/en-us/who-we-are/board-committees>



## B. The Management

**Colgate-Palmolive has a dedicated team responsible for assessing and monitoring climate-related issues,**

led by the Group President, Growth and Strategy, who is a member of the leadership team and reports to the Chairman of the Board, President and CEO. The Chief Sustainability Officer (CSO), who is accountable to the Group President, Growth and Strategy and reports to the Chief Supply Chain Officer, also seems to play a vital role in this team. In particular, **the CSO shapes the company's supply chain strategy, which may be impacted by climate-related issues.** The team in turn is responsible for overseeing the overall 2025 Sustainability & Social Impact Strategy and monitoring progress against sustainability targets, including science-based targets related to climate change.

**The Worldwide Director of Global Sustainability**

**Fellow**, who reports to the CSO, **leads the planning and execution of the Climate Action and Net Zero Carbon Transition roadmap, covering Scope 1, 2, and 3 GhG emissions.** Additionally, the CSO is responsible for providing the Board, through the NGR Committee, with quarterly updates on sustainability issues, risks, and opportunities, including progress against science-based climate targets and other action plans to achieve sustainability objectives.

The CSO also chairs the Sustainability Steering Committee, which makes strategic decisions related to sustainability and social impact strategy, monitors climate-related issues and works to integrate sustainability into the broader organization. The committee meets quarterly and is composed of senior management members shown in Table 5.

Table 5: Executive Committee – Sustainability Steering Committee. Source: Colgate-Palmolive TCFD 2021.

Name	Position	Name	Position
John Kooyman	Chief of Staff	Stephan Habib	Chief Technology Officer
Prabha Parameswaran	Group President, Growth and Strategy	Sally Massey	Chief Human Resources Officer
Stanley J. Sutula III	Chief Financial Officer	Paula Davis	Chief Communications Officer
Jennifer M. Daniels	Chief Legal Officer and Secretary	Luciano Sieber	Chief Supply Chain Officer
Ann Tracy	Chief Sustainability Officer	John Faucher	Chief Investor Relations Officer and SVP, M&A

**The Company's ERM Committee is responsible for monitoring and assessing the risks facing the company, both present and emerging.** The ERM Committee comprises management members, as presented in Table 6. Each risk identified by the Committee is assigned a risk sponsor who oversees the risk management process and provides regular

reports on the Company's mitigation efforts and the risk landscape to the ERM Committee. **The Group President of Growth and Strategy is the risk sponsor for the sustainability risk.** The ERM Committee provides regular updates on the risks facing the Company to the Board and its committees.



Table 6: Executive Committee – Enterprise Risk Management Committee. Source: Colgate-Palmolive TCFD 2021.

Name	Position	Name	Position
Noel Wallace	Chairman, President and CEO	Jennifer M. Daniels	Chief Legal Officer and Secretary
Stanley J. Sutula III	Chief Financial Officer	Luciano Sieber	Chief Supply Chain Officer
Sally Massey	Chief Human Resources Officer	Gina Grant	Vice President and Treasurer
John Faucher	Chief Investor Relations Officer and SVP, M&A	Prabha Parameswaran	Group President, Growth and Strategy

The company also formed an **ESG Reporting Task Force** in 2021 to **address the growing demand for additional ESG disclosure** from its stakeholders. The task force includes representatives from the investor relations, legal, supply chain, sustainability, and finance functions, and is sponsored by senior management

members shown in Table 7, all of whom serve on the Sustainability Steering Committee. The task force meets on an as-needed basis and meets quarterly with its sponsors to keep management informed of climate disclosure-related issues and to guide the company's ESG reporting efforts.

Table 7: Executive Committee – ESG Reporting Task Force. Source: Colgate-Palmolive TCFD 2021.

Name	Position	Name	Position
John Kooyman	Chief of Staff	John Faucher	Chief Investor Relations Officer and SVP, M&A
Prabha Parameswaran	Group President, Growth and Strategy	Gregory Malcolm	Vice President and Controller
Stanley J. Sutula III	Chief Financial Officer	Ann Tracy	Chief Sustainability Officer
Jennifer M. Daniels	Chief Legal Officer and Secretary		

### Management Compensation

In the 2022 Proxy Statement of the company, which cover the **2021 remuneration period**, there is a **lack of reference or description of management compensation related to sustainability targets**. However, in its **2022 Climate Change CDP response**, Colgate-Palmolive disclosed that the CEO, CSO, CPO

and Worldwide Director of Global Sustainability are eligible for a monetary reward linked to emissions reduction targets as part of their performance-based compensation. While the details regarding this reward remain undisclosed, it appears to be based on individual objectives. The compensation breakdown is illustrated in Figure 8.

<sup>36</sup> Performance at threshold results in nil PSP awards vesting, target performance results in an award equal to 200% of fixed pay (at time of award) for the CEO and 160% for the CFO, up to a maximum of 400% for the CEO and 320% for the CFO, with straight-line vesting between threshold and maximum. A retention period of two years applies from vesting.

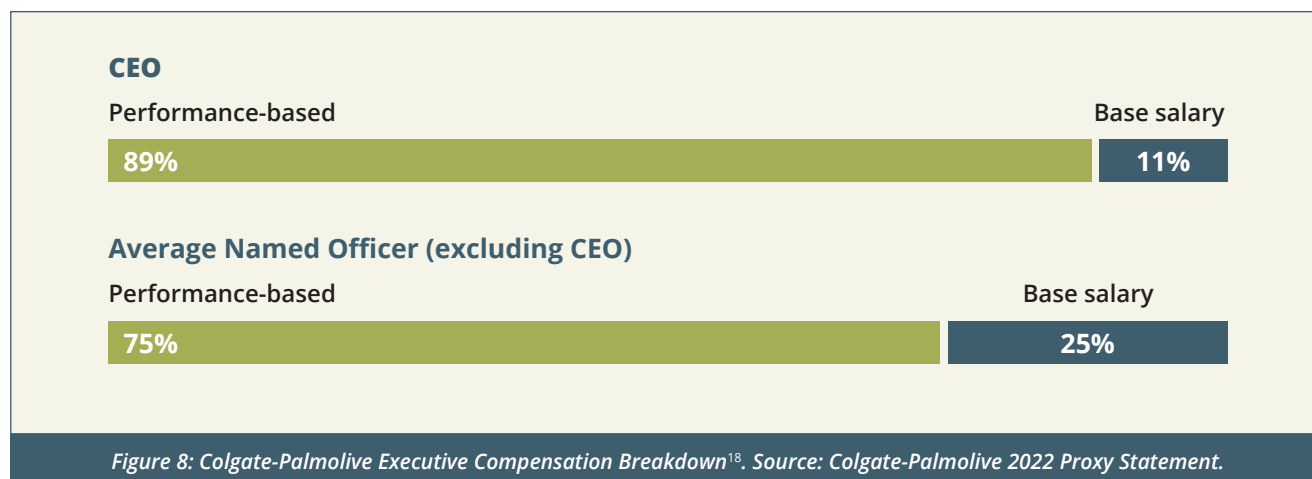




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Moving forward, **the Board has taken a positive step towards incorporating performance measures tied to sustainability progress in the 2022 annual incentive programme**. This initiative will be a strategic component discussed in the Proxy Statement and will apply to the CEO and other named executive officers. While this is a step in the right direction towards officialising a link between remuneration and

sustainable practices, **Planet Tracker views Colgate-Palmolive's historic stance as inadequate to support its goal of aligning with a 1.5°C scenario by 2030**. Hopefully, this future approach will add to the efficacy of Colgate's mitigation actions, and thus we recommend investors to monitor its development closely for future appraisals.

<sup>18</sup> Target Performance-based Compensation – these charts include the target value of the company's named officers' performance-based restricted stock unit (PBRSU) awards for the 2021–2023 performance cycle pursuant to Colgate-Palmolive's Growth Performance Plan and the target value of stock option awards based on salary grade guidelines.



## Risk Analysis

### FINANCIAL IMPACT

In its CDP Climate responses Colgate-Palmolive has identified the global climate change as a significant risk and opportunity to its business operations and as a result, has developed a climate strategy to address it. The company has assessed climate-related issues potentially arising in each time horizon (short-, medium- and long-term<sup>19</sup>) using a climate-related scenario analysis, which was conducted with the help of third-party experts, as well as its ERM process.

**The analysis describes the potential impacts of both Physical Risks, such as hurricanes or droughts, and Transition Risks, such as carbon pricing, regulatory requirements and impacts on Colgate's reputation.**

According to the company, the information collected through this process helps Colgate-Palmolive to prioritise its risk management activities and informs its overall strategy. In more detail, helps the company to create capacity, set an internal carbon price, better assess the return on investment for sustainability-related investments, align with public reporting and disclosure frameworks, and respond sensibly to investor requests about the potential climate risks to its business model. The selected scenarios provide a range of possible future states from low, moderate and high levels of potential impacts, as depicted in Table 8. Notably, Colgate-Palmolive does not consider the 1.5°C scenario (i.e., RCP 1.9) in its Physical Risks assessment, nor other Transition Risks besides carbon pricing, such as commodities future prices/markets.

*Table 8: Climate Change and Transition(al) Scenarios used by Colgate-Palmolive to determine financial impact.  
Source: Colgate-Palmolive 2021 TCFD report.*

Transitional Risks		Physical Risks	
High carbon price scenario	This scenario represents the implementation of policies that are considered sufficient to reduce GhG emissions in line with the goal of limiting climate change to 2°C by 2100.	Low climate change scenarion (RCP 2.6)	Aggressive mitigation actions to halve baseline emissions by 2050. This senario is likely to result in warming of less than 2°C by 2100.
Moderate carbon price scenario	This scenario assumes that policies will be implemented to reduce GhG emissions to 2°C in the long-term, but with action delayed inthe short-term.	Medium climate change scenarion (RCP 2.6)	Strong mitigation actions to reduce emissions to half of baseline levels by 2080. This scenario is more likely than not to result in warming in excess of 2°C by 2100.
Low carbon price scenario	This scenario represents the full implementation of country Nationally Determined Contributions under the Paris agreement.	High climate change scenarion (RCP 2.6)	Continuation of business as usual with emissions at baseline rates. This scenario is expected to result in warming in excess of 4°C by 2100.

<sup>19</sup> Short-term: between 1 and 3 years; Medium-term: between 3 and 6 years; and Long-term: between 6 and 30 years.



Planet Tracker categorised Colgate-Palmolive’s main risks and opportunities into two drivers of change: Transition Drivers<sup>20</sup> and Physical Impact Drivers.

### Transition Drivers

**Colgate-Palmolive’s analysis of its Transition Drivers highlights that the company’s exposure to carbon pricing-related risks is primarily associated with**

**its ‘Purchased Goods’** from suppliers, as outlined in Table 9. However, **the company’s TCFD-recommended disclosures do not provide a quantification of these risks**. In our assessment, Colgate-Palmolive’s 2021 TCFD document primarily serves as a methodology description rather than a risk assessment exercise, as it fails to disclose any financial impact figures.

Table 9: Colgate-Palmolive’s main Transition Risks Description. Source: Colgate-Palmolive 2021 TCFD Report.

Risk Type	Topic	Time Horizon	Risk Driver	Description and Business Impact
Transition Risk / Policy Risk	Carbon Pricing	Medium-term	Increased cost due to taxes and regulations	Introduction of carbon pricing and/or cap and trade schemes in regions where the company operates and/or where it sources its materials can increase its operating costs if the sites emit over the allowance threshold.
Transition Risk / Market Risk & Suppliers	Carbon Pricing	Medium-term	Increased risk on supplier operating costs	Introduction of carbon pricing and/or cap and trade schemes in regions where the company’s key suppliers operate might impact its suppliers’ operating costs. This may, in turn, directly or indirectly increase the cost of Colgate’s raw and packaging materials, logistics and other necessary services.

At Planet Tracker, we adopted a more comprehensive approach by **calculating the potential impact of expected Carbon Pricing Mechanisms (CPMs) on Colgate-Palmolive’s total future GhG emissions**. To carry out our calculations, **we utilised the Inevitable Policy Response (IPR) carbon pricing for 2030<sup>21</sup> and applied it to Colgate-Palmolive’s Scope 1, 2, and upstream 3 emissions<sup>22</sup>**. For Scope 1 and 2 emissions, we employed their geographic origin weighting of the last five years and estimated a future weighted average price of USD 55 per TCO<sub>2</sub>e. Based on this, in the absence of any additional mitigation measures, the financial impact of the projected sum of Scope 1 and 2 emissions of 547 KTCO<sub>2</sub>e by 2030 would amount to USD 30 million.

With respect to **Scope 3 mandatory emissions**, as the European Carbon Border Adjustment Mechanism<sup>23</sup> develops, Colgate-Palmolive may be required to extend its risk assessment to these emissions. Therefore, we

have also estimated the potential financial impact of future CPMs on Colgate-Palmolive’s operations regarding its upstream Scope 3 emissions, using a slightly different approach. By employing a revenue geographic origin weighting of the last five years, we estimated a future weighted average price of USD 57 per TCO<sub>2</sub>e<sup>24</sup>. Based on this, **the projected upstream Scope 3 emissions of 24,087 KTCO<sub>2</sub>e by 2030, in the absence of future mitigation measures, could result in an increase in costs of up to USD 1.4 billion per year in the next ten years**.

Even assuming an 80% cost absorption from suppliers or customers, **the potential CPMs applied to Colgate-Palmolive’s total GhG emissions by 2030 would still represent a financial impact of over USD 1.1 billion or approximately 31% of its current five-year average annual operating profit, with 30% linked to its Scope 3 upstream emissions**.

<sup>20</sup> Referred to as ‘External Policy Drivers’ in previous company climate transition assessments.

<sup>21</sup> [The Inevitable Policy Response to Climate Change \(2021\)](#)

<sup>22</sup> Being upstream Scope 3 emission the only Scope 3 emissions mandatory to mitigate according to SBTi.

<sup>23</sup> [EU: New regulation taxing produce coming from countries with a lower carbon tax](#)

<sup>24</sup> While Scope 3 Upstream emissions CPMs should be linked to supplier countries, in the absence of such data, revenue origin is a sensible alternative – especially since the new carbon border regulation aims on taxing produce coming from countries with a lower carbon tax.



These findings, which are detailed in Table 10, suggest that **Colgate-Palmolive may be significantly underestimating the risks associated with potential**

**CPMs by failing to quantify the financial impact of its Scope 1,2 and especially upstream Scope 3 emissions in its risk and opportunity assessment.**

Table 10: External Policy Drivers – Summary of Material Risks by 2030. Source: Colgate-Palmolive Climate Change CDP Answers 2022, Planet Tracker Calculations.

Assessment by	Value Chain	Implied Price per TCO <sub>2e</sub> by 2030	Expected KTCO <sub>2e</sub> by 2030	Likelihood of absorption	Probabilistic Financial Impact
Planet Tracker	Scope 1 and 2	USD 55	548	80%	USD 27 million
Planet Tracker	Upstream Scope 3	USD 57	24,087	80%	USD 1,094 million

### Physical Impact Drivers

According to Colgate-Palmolive’s Physical Impact Drivers analysis, the company is exposed to moderate physical risk, with the highest exposure to water stress, cold waves, and heat waves, as outlined in Table 11. Nevertheless, the company’s TCFD

recommended disclosures fail to quantify these risks once again. In order to determine the potential impact of physical risks over the next six years, Planet Tracker reviewed the company’s 2021 CDP Water Questionnaire.

Table 11: Colgate-Palmolive’s main Physical Risks. Source: Colgate-Palmolive 2021 TCFD Report.

Risk Type	Topic	Time Horizon	Risk Driver	Description and Business Impact
Physical Risk / Acute	Increased frequency of extreme weather events	Short-term	Increased cost due to damage and supply chain disruptions.	Colgate’s operations, including its facilities, supply chain and logistics networks, may be disrupted or damaged by natural disasters, such as hurricanes, typhoons, droughts, floods, water scarcity and other extreme weather events.
Physical Risk / Chronic	Extreme heat, drought, sea level rise and water access	Medium-term	Increased cost of materials and supply chain disruption.	Changes in weather patterns, the frequency and severity of extreme weather and natural disasters and rising global temperatures have the potential to impact the cost and availability of raw and packaging materials, such as essential oils, resins, tropical oils, pulp, tallow, corn, poultry and soybeans. The predicted effects of climate change may also exacerbate challenges regarding the availability and quality of water.

The questionnaire reveals that **up to five of Colgate-Palmolive’s manufacturing facilities are exposed to water risks**, defined as a substantive financial or strategic impact on the business due to reduced water availability in the local river basin. Additionally, **a minimum of 24% of the company’s revenue<sup>25</sup> could be affected by this risk within the next three**

**years**, as depicted in Table 12. Specifically, **assuming an average total revenue of USD 16.1 billion and an average gross profit margin of 22% over the 2017–2021 period, the impact of facilities exposed to water risks would amount to a minimum of USD 869 million.**

<sup>25</sup> The % of total revenue is estimated using production volume as a proxy.



Table 12: Number and proportion of facilities exposed to water risks. Source: Colgate Palmolive's Water CDP Reports 2021.

Country	River Basin	Number of Facilities	% of total facilities <sup>26</sup>	% of affected revenue
Mexico	Santiago	1	1-25%	21-30%
Italy	West Coast	1	1-25%	1-10%
Thailand	Gulf of Thailand Coast	1	1-25%	1-10%
Brazil	La Plata	2	1-25%	1-10%

Furthermore, the company identifies risks in its value chain (beyond direct operations) that could have a substantive financial or strategic impact on its business activities. The primary risk affecting Colgate-Palmolive's supply chain due to water scarcity is located in the North Gulf river basin in Mexico. The company estimates that this **supply chain disruption could have a potential revenue impact of USD 236 million or an operating profit impact of USD 53 million within a year**. This risk stems from the unlikely scenario where the company is unable to source sufficient raw materials from contingency suppliers, which would require the reduction or suspension of manufacturing for the affected product. This, in turn, would lead to financial costs from delayed production

and sales impact. The potential sales impact has been estimated for North America and Latin America, where the majority of the potentially affected products are sold, and implies a production suspension of two months.

In conclusion, the minimum impact of physical risk, particularly those related to **water scarcity, could reduce Colgate-Palmolive's trading operating profit by USD 992 million or 26% of its current five-year average annual operating profit. The lack of quantification of these risks in Colgate-Palmolive's TCFD recommended disclosures suggests that the company may be underestimating the risks associated with physical risks.**

<sup>26</sup> This represents the % of global manufacturing facilities meeting our definition of substantive, by facility count vs. total global manufacturing facilities (5/50 of our sites representing 38% of global production).



## RISK MANAGEMENT

### A. CPMs

In regard to climate risk management, Colgate-Palmolive commits to complying with all applicable government regulations related to environmental rules and regulations, including those related to climate change and GhG emissions. The company's **ESG Reporting Task Force**, comprised of representatives from various functions, **monitors emerging regulatory requirements and guidance to ensure compliance.**

According to Colgate-Palmolive, approximately 15% of the company's carbon footprint is generated by its suppliers and **the company stated it is working to encourage key material suppliers to set science-based climate targets, assess their climate and water risks, and increase their use of renewable electricity.**

Additionally, **the company assures to have contingency plans in place to address any climate impacts disrupting its suppliers' ability to deliver raw and packaging materials, opting thus for adaptation rather than mitigation.**

Colgate-Palmolive also focuses, as disclosed by the company, on designing sustainable products and messaging to help consumers build more sustainable habits. The company's **Save Water campaign** is aimed at increasing consumer awareness through messaging on packaging, online and in stores.

According to Colgate, this initiative has **contributed to the avoidance of approximately 10,800 KTCO<sub>2</sub>e emissions since its launch in 2016.** However, **it is worth noting that downstream Scope 3 emissions, which this initiative tackles, may not be a part of the company's future climate performance targets, as their mitigation is optimal according to the SBTi, and thus less likely to be a part of the future CPMs.**

### B. Water Security

**Colgate-Palmolive recognises water scarcity as one of the main physical risks associated with climate change,** which requires a holistic understanding of water risks to ensure water security. To this end, **the company established a Water Security Task Force in 2021 to develop a comprehensive water security framework and recommend assessment tools for its global operations.** According to Colgate, the framework considers various factors, including water availability at the source, water rights and regulations, utility infrastructure and reliability, and local water governance, for each location.

Furthermore, the task force is composed of representatives from sustainability, manufacturing, engineering, facilities, risk management, and legal, who are gathering internal and external data to assess overall water security at each site. The risk of water scarcity at the source is identified using the World Resources Institute (WRI) Aqueduct Water Risk Atlas, and sites are classified as "water-stressed" if the location is designated as "Extremely High Risk" in the Baseline Water Stress indicator of the Aqueduct tool.

**While Colgate-Palmolive's approach to identifying risks and opportunities appears sensible by employing various scenarios and describing possible impacts and solutions, the company falls short in providing quantified financial impacts and metrics for mitigating or managing said risks and opportunities.** This lack of information leads to uncertainty about whether appropriate action is being taken or will be taken to adequately manage Climate Change and Transition risks and opportunities.

In conclusion, **the company's risk analysis does not provide sufficient evidence to alter the BAU outcome of the historical trend of emissions by 2030.**



## Strategy Assessment

### CAPITAL ALIGNMENT

Colgate-Palmolive has released its **Climate Transition Net Zero Plan (CTP)** in 2022, outlining its climate strategy and emissions reduction targets to align with the Paris Agreement's objective of capping global warming at 1.5°C. The CTP includes short-, medium-, and long-term targets. Specifically, the company aims to **achieve an absolute reduction of 20% in Scope 1, 2, and upstream Scope 3 'Purchased Goods' emissions by 2025 and a 42% absolute reduction by 2030 from a 2020 baseline year.** Furthermore, **the company intends to reduce its Scope 1, 2, and 3 emissions by 90% against the same baseline and achieve Net Zero carbon emissions across its value chain by 2040.**

However, **Colgate-Palmolive's long-term goals exclude any optional emissions as per the SBTi Net Zero Standard<sup>27</sup>, such as Scope 3 categories 9, 11 and 12,** which stand for downstream 'distribution', 'consumption' and 'disposal' emissions. At Planet Tracker, we have assessed the company's present profile and potential alignment if downstream Scope 3 emissions were excluded. By eliminating downstream Scope 3 emissions, Colgate-Palmolive's total GhG emissions in 2021 amounted to 8,834 KTCO<sub>2</sub>e. Extrapolating these emissions up to 2030 would result in a total GhG emissions of 24,634 KTCO<sub>2</sub>e. In comparison, the SBTs recommend a total GhG emissions level of 3,521 KTCO<sub>2</sub>e by 2030. Therefore, **when downstream Scope 3 emissions are removed, Colgate-Palmolive's mitigation gap would stand at a total of 21,113 KTCO<sub>2</sub>e.**

Notwithstanding, **Colgate-Palmolive acknowledges that indirect use-phase emissions constitute a significant portion of its footprint, accounting for nearly 79% of its total GhG emissions in 2021,** or 32,294 KTCO<sub>2</sub>e. When downstream Scope 3 emissions are included, Colgate-Palmolive's total GhG emissions in 2021 reached 41,128 KTCO<sub>2</sub>e. Extrapolating these

emissions up to 2030 would result in a total GhG emissions of 37,293 KTCO<sub>2</sub>e, a 9% reduction. In comparison, applying the standard absolute reduction target of 42% from 2020 to 2030 to all scopes, the theoretical SBTs would recommend a total GhG emissions level of 24,528 KTCO<sub>2</sub>e by 2030. Therefore, **when downstream Scope 3 emissions are included in the calculations, Colgate-Palmolive's mitigation gap would stand at a total of 12,765 KTCO<sub>2</sub>e.**

In essence, **Colgate-Palmolive would need to mitigate between 12,765 KTCO<sub>2</sub>e and 21,113 KTCO<sub>2</sub>e,** depending on the methodology employed (i.e., Scopes included in its targets), **to align with a 1.5C scenario by 2030<sup>28</sup>.** To achieve its emissions reduction targets and bridge this gap, **Colgate is proposing three investment strategies: (a) The 5% for the Planet programme, (b) The Sustainability Bond and (c) The Closed Loop Fund.**

Colgate-Palmolive's **'5% for the Planet'** programme establishes an annual objective for the organisation to allocate a minimum of **5% of its capital expenditure budget toward initiatives that promote climate, energy, water and waste-related projects, generating both environmental enhancements and cost savings.** Furthermore, **a minimum of 2% of the capital budget is to be directed towards energy reduction undertakings.**

In 2016, Colgate-Palmolive exceeded its '5% for the Planet' target, with over 7% of the budget allocated to Scope 1 and 2 mitigation projects. Of these initiatives, 58% concentrated on energy efficiency, which was predicted to decrease the company's carbon footprint by over 19 KTCO<sub>2</sub>e while costing approximately USD 21 million<sup>29</sup>. Examining subsequent investments under the programme, **the organisation invested USD 116 million in energy efficiency projects from 2016 to 2020.** Linking the investment made in the mentioned time frame with mitigated emissions, **Scope 1 and 2**

<sup>27</sup> The SBTi encourages companies to consider indirect use-phase emissions, but it is clear that they do not form part of a company's mandatory Scope 3 emissions and that their inclusion is above a company's Scope 3 targets. More details [here](#).

<sup>28</sup> Under the assumption that its current Scope 3 disclosures include emissions from agriculture/land use change.



diminished by 52 KTCO<sub>2</sub>e from 2017 to 2021<sup>30</sup>. It is worth noting that according to data disclosed in 2016, the programme accomplished over 37% of the project cost in potential future annual savings. Therefore, if the same savings ratio were applied cumulatively to subsequent investments, **the company would have saved USD 117 million in energy expenses, making the investment net positive over five years.**

However, **based on this programme, the prospective GhG mitigation (of Scope 1 and 2) by 2030 is projected to be 94 KTCO<sub>2</sub>e, far below the range of 12,765 KTCO<sub>2</sub>e to 21,113 KTCO<sub>2</sub>e (mainly driven by upstream Scope 3) required by 2030.** To continue funding its mitigation ambitions, in **November 2021, Colgate issued USD 568 million of eight-year notes at a fixed coupon rate of 0.300% (the Sustainability Bond)**<sup>31</sup>. The net proceeds of the Sustainability Bond will be used to **finance or refinance, in part or in full, new and existing projects and programmes that have distinct environmental and/or social benefits** in accordance with their Sustainable Financing Framework.

Eligible projects include assets, investments, and other related and supporting expenses, such as R&D, that contribute to Colgate's 2025 Sustainability and Social Impact Strategy. They fall within any of the following categories: **eco-efficient or circular economy-adapted products; waste and plastic pollution prevention and control measures; energy efficiency; renewable energy generation and procurement; sustainable management of water resources; promoting sustainable habits and behaviour change; socioeconomic advancement and empowerment.**

However, **the company's largest source of emissions originating from upstream Scope 3 activities, specifically from 'Purchased Goods', is not mentioned in Colgate-Palmolive's investment plan**

**to meet its SBTs targets.** Thus, **the gap of 21,113 KTCO<sub>2</sub>e between the extrapolated trend of emissions and the target level when downstream Scope 3 emissions are excluded is not addressed from a mitigation investment perspective.**

Colgate-Palmolive's investment in **the Closed Loop Fund is another disclosure related to the company's efforts to mitigate emissions and is aimed at tackling downstream Scope 3 emissions.** The fund provides zero-interest loans to municipalities and below-market loans to private companies, **with the goal of developing infrastructure and improving recycling rates.** However, **Colgate's total investment in the initiative and its share of the expected GhG emissions reduction of 36,000 KTCO<sub>2</sub>e to be achieved by the Fund by 2030 is not disclosed.**

When **compared to its peers in the consumer goods sector, Colgate-Palmolive appears to be lagging behind** in terms of disclosed upstream emissions mitigation actions and investment. For example, **Nestle's**<sup>32</sup> mitigation initiatives such as 'improved agricultural practices', 'preventing deforestation in the supply chain', 'on-farm and off-farm agroforestry' and 'restoring degraded forests and peatlands', **could mitigate 22,000 KTCO<sub>2</sub>e by 2030**, according to the company, at an estimated cost of roughly **USD 1 billion.** **Similarly, Danone would require an investment between USD 662 million and USD 1.1 billion to reduce its total agricultural emissions by 14,721 KTCO<sub>2</sub>e by 2030**<sup>33</sup>. In contrast, **Colgate-Palmolive has not disclosed any investment pertaining to upstream Scope 3 emissions, and appears to lack a clear strategy to alter its historical emission trend.** Without a disclosed correlation between investment, mitigation actions per scope, and anticipated mitigated GhG emissions amount, **it cannot be inferred that Colgate-Palmolive's capital is in line with its objectives.**

<sup>29</sup> In 2016 Colgate-Palmolive invested a total of USD 37 million in 155 project. Out of those, 90 focussed on energy efficiency. If we assume an average investment per project of USD 37 million/155 project, then the 90 energy projects would have cost over USD 21 million. Source: [Sustainability Report Colgate-Palmolive 2016, p.84](#)

<sup>30</sup> We assume investment in year 't' accounts for project implementation in year 't' and mitigated emissions in year 't+1' calculated as Scope 1 and 2 emissions in year 't+1' minus Scope 1 and 2 emissions in year 't'.

<sup>31</sup> The Sustainability Bond was reported as a EUR 500 million bond. For comparability purposes we converted to USD at a closing exchange rate of EUR 1 = USD 1.1363 at 30/11/2021 > [source](#)

<sup>32</sup> Find the full report here - [https://planet-tracker.org/wp-content/uploads/2022/09/CA100\\_Nestle-report.pdf](https://planet-tracker.org/wp-content/uploads/2022/09/CA100_Nestle-report.pdf)

<sup>33</sup> Find the full report here - <https://planet-tracker.org/wp-content/uploads/2022/11/CTA-Danone.pdf>





## TRANSITION APPRAISAL

**Planet Tracker conducted an analysis of Colgate-Palmolive's CTP, evaluating the company's GhG emissions between 2017 and 2021, as well as the company's future plans to align with the Paris Agreement.** Based on its CTP, Colgate-Palmolive aims to achieve an absolute reduction of 20% in Scope 1, 2, and upstream Scope 3 'Purchased Goods' emissions by 2025, and a 42% absolute reduction by 2030 from a 2020 baseline year. In addition, the company intends to reduce its Scope 1, 2, and 3 emissions by 90% against the same baseline and achieve Net Zero carbon emissions across its value chain by 2040.

However, **it should be noted that Colgate-Palmolive's long-term goals only encompass mandatory<sup>34</sup> Scope 3 emissions.** Therefore, we assessed the company's GhG emissions inventory and future targets alignment from both perspectives, including and excluding downstream Scope 3 emissions. **When downstream Scope 3 emissions are removed, Colgate-Palmolive's mitigation gap stands at a total of 21,113 KTCO<sub>2</sub>e.** Conversely, **when downstream Scope 3 emissions are included** in our calculations, **Colgate-Palmolive's mitigation gap stands at a total of 12,765 KTCO<sub>2</sub>e.** The smaller gap is a result of a larger GhG emissions budget being considered and the future decline in downstream Scope 3 emissions, which leads to a lower difference between the extrapolated trend of emissions and the recommended level of SBTs.

Also, **Planet Tracker reviewed Colgate-Palmolive's Policy and Governance and Risk Management to assess the company's intention and abilities in closing the identified gap.** As a result, it has been identified that **Colgate's value chain engagement strategy exhibits significant limitations**, with GhG emissions from targeted areas consistently experiencing substantial growth over the last five years. Meanwhile, the engagement strategy has remained the same, and it appears to continue to

be so for the foreseeable future. It is of special note that the company has a limited engagement with suppliers on addressing deforestation, and its no deforestation commitment is not time-bound, nor does it disclose progress on how much of its supply chain is deforestation-free – beyond noting the % of its supply chain Colgate-Palmolive engaged on its traceability/mapping/risk assessment<sup>35</sup>. This is a subject of high importance especially since The EU Council has adopted a new law to cut deforestation worldwide, in line with the EU Parliament which will enter into force by the end of June 2023<sup>36</sup>. Furthermore, **the company's coverage and influence regarding Climate Policy appear to be modest**, detracting forward from Colgate-Palmolive's likelihood of achieving its climate targets.

Additionally, **there is a lack of investment disclosures in mitigation initiatives regarding the company's main source of future emissions**, i.e., upstream Scope 3 activities **and quantified metrics for mitigating or managing the related identified climate transition risks are not provided.** Similarly, **there is no disclosed link between investment, mitigation actions, and expected mitigated GhG emissions amount**, all of which indicate in our view that **Colgate-Palmolive is unlikely to close the gap independent of whether optional emissions are considered part of the Net Zero target or not.**

**To assess Colgate-Palmolive's alignment with a warming scenario, a climate sensitivity estimate has been calculated by comparing the company's projected emissions and recommended emissions with the global CO<sub>2</sub>e remaining budget by 2030<sup>37</sup>.** In other words, the model compares the global CO<sub>2</sub>e remaining budget by 2030 with Colgate's CO<sub>2</sub>e budget, relative to its SBTs emissions level by 2030, resulting in an alignment in degrees Celsius. The results indicate that **Colgate's extrapolated trend of emissions will align the company with a 2°C warming scenario by the year 2030 if downstream Scope 3 emissions are included and with a BAU pathway if not** – see Table 13.

<sup>34</sup> According to the GhG Protocol and the SBTi.

<sup>35</sup> Find more details regarding Colgate-Palmolive's no deforestation policy [here](#).

<sup>36</sup> Find more details [here](#).

<sup>37</sup> As stated by IPCC (p.95) – 'Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development'.



Table 13: Colgate-Palmolive's Temperature Alignment – Estimate of Climate Sensitivity. Source: Planet Tracker Calculations.

Variables	Colgate's Trend incl. downstream S3 emissions	Colgate's Trend excl. downstream S3 emissions
Suggested KTCO <sub>2</sub> e budget (SBT)	24,528	3,521
Expected KTCO <sub>2</sub> e emissions (2030)	37,293	24,634
Target overshoot (undershoot)	52%	600%
SBT temperature (°C)	1.5	1.5
Global KTCO <sub>2</sub> e remaining budget (2030)	30,000,000	30,000,000
Colgate's Over/(Undershoot) in KTCO <sub>2</sub> e	15,612,504	179,884,951
Baseline Temperature (°C)	1.1	1.1
Warming Ratio <sup>38</sup>	1.33333E-08	1.33333E-08
Colgate's Temperature Alignment (°C) <sup>39</sup>	1.7	3.9

In summary, Colgate's current CTP describes commendable initiatives aimed at reducing its environmental impact. However, there is limited mention of upstream Scope 3 mitigation initiatives and a lack of linkage between the company's climate mitigation strategies and its disclosed investments necessary to support these ambitions.

In our view, **investors should enquire Colgate-Palmolive for more comprehensive disclosures, particularly concerning its upstream investment in order to better assess the company's potential to bridge the gap between the SBTi recommendations and its future emissions level.**

**In conclusion, we assess that  
Colgate-Palmolive is expected to align with a +3°C pathway by 2030<sup>40</sup>**

<sup>38</sup> The warming ratio is defined as the difference between the SBT recommended temperature (1.5°C) and the actual temperature baseline (1.1°C) divided by the global remaining KTCO<sub>2</sub>e budget until 2030.

<sup>39</sup> The temperature alignment number is the sum between the SBT recommended temperature (1.5°C) and the product of the warming ratio and the company's over/(undershoot) in KTCO<sub>2</sub>e.

<sup>40</sup> Based on the data accessed by Planet Tracker until March 2023.



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## ABOUT PLANET TRACKER

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

## PLANET TRACKER'S CLIMATE TRANSITION ANALYSIS - FOOD SYSTEM COMPANIES

As part of its Food & Land Use programme, Planet Tracker is examining the transition plans of the food system (Consumer Goods) 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 food system companies to account for the quality of their climate transition plans and their execution against those plans, and to encourage them to use this information to engage effectively with these companies with the ultimate aim of driving the sustainable transformation of the global food system.

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**Lead Author:** Ion Visinovski, Research Analyst, Planet Tracker

**Co-Author:** Ailish Layden, Research Associate, Planet Tracker

**Reviewers:** Abigail Marshall, Steering Committee Coordinator & Analyst, Climate Action 100+ at UN PRI; Nako Kobayashi, Manager of Food Emissions 50 at Ceres Inc.

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For further information please contact:  
Nicole Kozlowski, Head of Engagement, Planet Tracker  
[nicole@planet-tracker.org](mailto:nicole@planet-tracker.org)



[www.planet-tracker.org](http://www.planet-tracker.org) @planet\_tracker