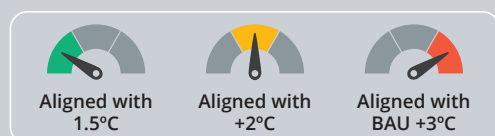




## Overall Assessment

### Procter & Gamble's 2030 climate transition pathway leads to a +3°C outcome.

According to Planet Tracker (PT), Procter & Gamble's (P&G) emissions are projected to follow a business-as-usual (BAU) trajectory, resulting in a +3°C warming scenario by 2030. The primary reason for not meeting the emissions level recommended by the Science-Based Targets Initiative (SBTi) for a 1.5°C alignment is P&G's failure to address upstream Scope 3 emissions. Despite sustainability targets being overseen by the board and management, P&G's engagement with its value chain remains limited. The link between executive remuneration and sustainability targets appears to have minimal influence on its long-term climate transition ambitions. Additionally, P&G's risk assessment and opportunity identification process lack quantified metrics for effective evaluation and mitigation. While P&G's Climate Transition Plan (CTP) outlines various initiatives to reduce its environmental impact, the absence of investment disclosure regarding mitigation activities creates uncertainties regarding the company's ambition. Including Scope 3 downstream emissions within the SBTs budget would align P&G's with a 2°C warming scenario by 2030. However, without these emissions, which are optional under SBTi guidance, the company is projected to follow a +3°C pathway.



This report is the seventh 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

- PT's calculations show P&G's Scope 3 activities, excluding downstream Scope 3, are projected to account for more than 97% of the company's GhG emissions by 2030.
- In the absence of additional measures to mitigate upstream Scope 3 emissions by 2030, regardless of the inclusion of optional SBTs categories<sup>1</sup> for Net Zero consideration, P&G will not align with a 1.5°C scenario.



## Policy and Governance

- P&G's strategy for engaging with its value chain demonstrates notable limitations, as evidenced by the substantial growth in GhG emissions from targeted areas over the past five years.
- While the company's board and management have oversight of its sustainability targets, the efficacy of its short-term sustainability-linked compensation seems inadequate to support its long-term objectives.



## Risk Analysis

- P&G might be significantly underrepresenting the risks from potential Carbon Pricing Mechanisms (CPMs) by neglecting to quantify their financial implications – which over the next decade could potentially amount to 53% of PG's current five-year average annual operating profit.
- P&G lacks quantified financial metrics for effectively managing Climate Change and Transition risks, raising concerns about its capacity to achieve its reduction targets by 2030 and avoid the associated risks.



## Strategy Assessment

- The lack of investment disclosure and a coherent strategy to address its primary source of emissions, i.e., Scope 3 upstream activities, raises concerns about P&G's capital alignment with its mitigation goals.
- Without the requisite investment, P&G's emissions are projected to align with a warming scenario of 2°C by 2030 if optional categories are considered, and exceed a 3°C pathway if these categories are not.

<sup>1</sup> For clarity, in PG's case these are: 9. Downstream transportation and distribution; 11. Use of sold products; and 12. End-of-life treatment of sold products.

## Company Overview

Procter & Gamble (PG:US), one of the world's largest consumer goods manufacturers, generated over the last five years (2018–2022) an annual average revenue of USD 72.4 billion. The company draws a significant portion of revenue from its Fabric & Home Care line, which represented on average 34% of its total revenue and 31% of its total operating

profit over the same period. The Fabric & Home Care line is followed in terms of income by Baby, Feminine & Family Care (26% of revenue and 25% of operating profit), Beauty (19% of revenue and 21% of operating profit), Health Care (13% of revenue and 13% of operating profit) and Grooming (9% of revenue and 10% of operating profit) – see Figure 1.

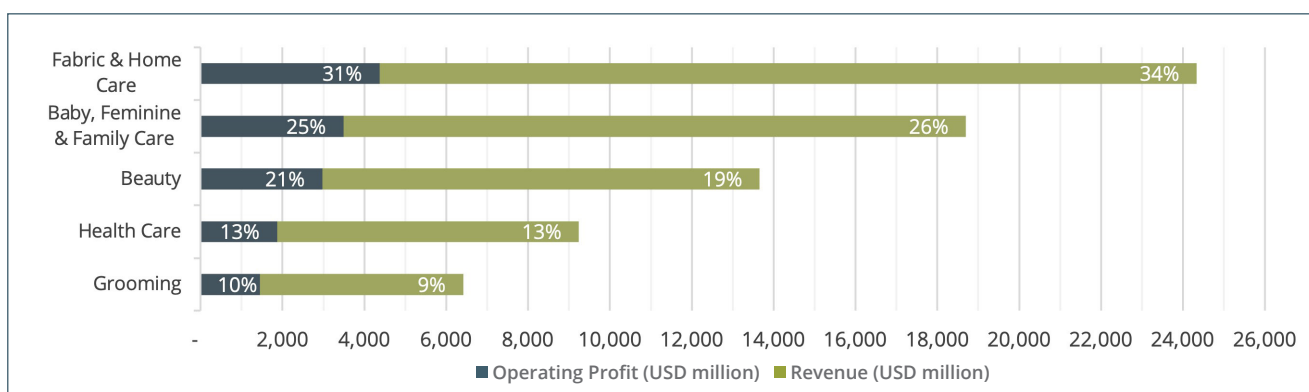


Figure 1: Breakdown by Business Segments (5Y Avg.). Source: Procter & Gamble Annual Reports 2018–2022.

In terms of the geographical distribution of income, the **United States** was the company's primary contributor, accounting for **47% of its revenue**. **Europe** followed, accounting for **22% of revenue** with **Asia Pacific** in the third position, accounting for **10% of revenue**, showing

that the top three regions contributed to 79% of Procter & Gamble's revenue between 2018 and 2022 – see Figure 2. In terms of long-lived assets, the United States retains 50%, whereas the rest of the world made up the other 50%, as of 2022<sup>2</sup>.

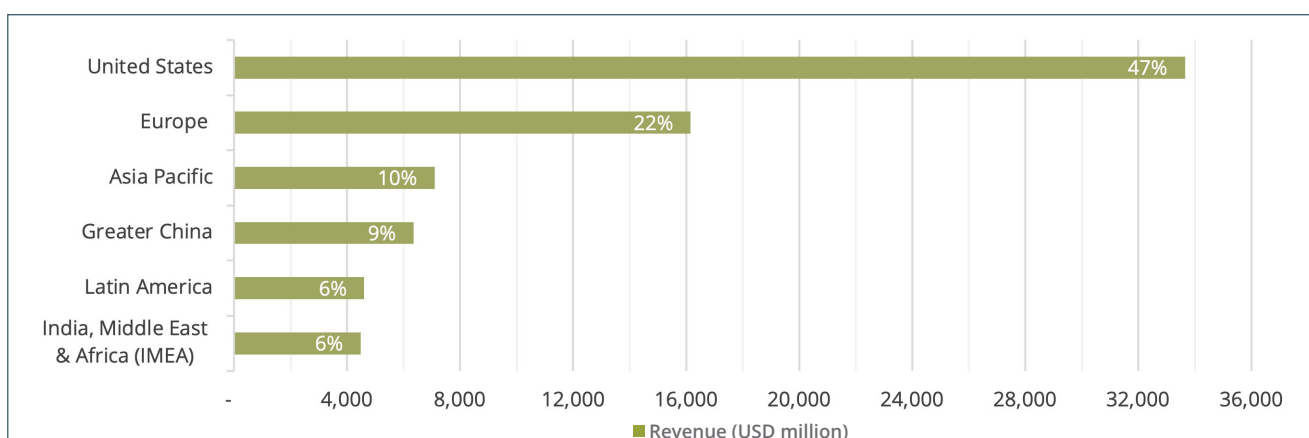


Figure 2: Revenue (%) – Breakdown by Geography (5Y Avg.). Source: Procter & Gamble Annual Reports 2018–2022.

<sup>2</sup> No country, other than the United States, exceeds 10% of the company's consolidated net sales or long-lived assets. Long-lived assets include property, plant and equipment, net and lease right-of-use assets.



When it comes to the company's dependency on natural commodities and their geographical distribution, Procter & Gamble disclosed in its 2022 CDP Forests response being dependent on two main natural commodities, namely, timber products and palm oil. The company also disclosed that **34% of timber products** were procured from **Brazil**, while **66%** were procured from **other undisclosed regions**<sup>3</sup>. **67% of palm oil** was stated to have been sourced from **Malaysia**, and the remaining **33%** from **Indonesia**.

Additionally, Procter & Gamble also disclosed that **25% of its revenue** in 2021<sup>4</sup> was dependent on **timber**<sup>5</sup>. In other words, around **8.5% of revenue** in 2021 was dependent on **timber sourced from Brazil**, and **16.5%** on **timber sourced from other undisclosed regions**.

Furthermore, according to the company between **51–60% of revenue** was dependent on **palm oil**, meaning between **17–20% of revenue** was dependent on **palm oil procured from Indonesia**, and a further **34–40% of revenue** was dependent on **palm oil procured from Malaysia**.

In conclusion, although with some limitations<sup>6</sup>, Procter & Gamble's dependence on the United States and Asia Pacific, especially Indonesia and Malaysia, is apparent from its revenue sources, invested capital<sup>7</sup>, and key suppliers' locations. Therefore, **the company is primarily exposed to the climate risks and related policies of these countries**, with a special mention to **Brazil** when it comes to deforestation-related risks, following Indonesia and Malaysia.

<sup>3</sup> Additional sourcing is from the United States, Canada, Sweden, Estonia, Finland and Poland. However P&G include all of these within an 'other countries/area' category.

<sup>4</sup> Please bear in mind that the 2022 CDP responses refer back to the 2021 financial year.

<sup>5</sup> To determine this value, they used the revenue generated in the Family Care, Feminine Care, and Baby care Business Units.

<sup>6</sup> Mainly due to the CDP's focus on natural commodities sourced only from regions at a high deforestation risk.

<sup>7</sup> Defined by Planet Tracker as long-lived assets.

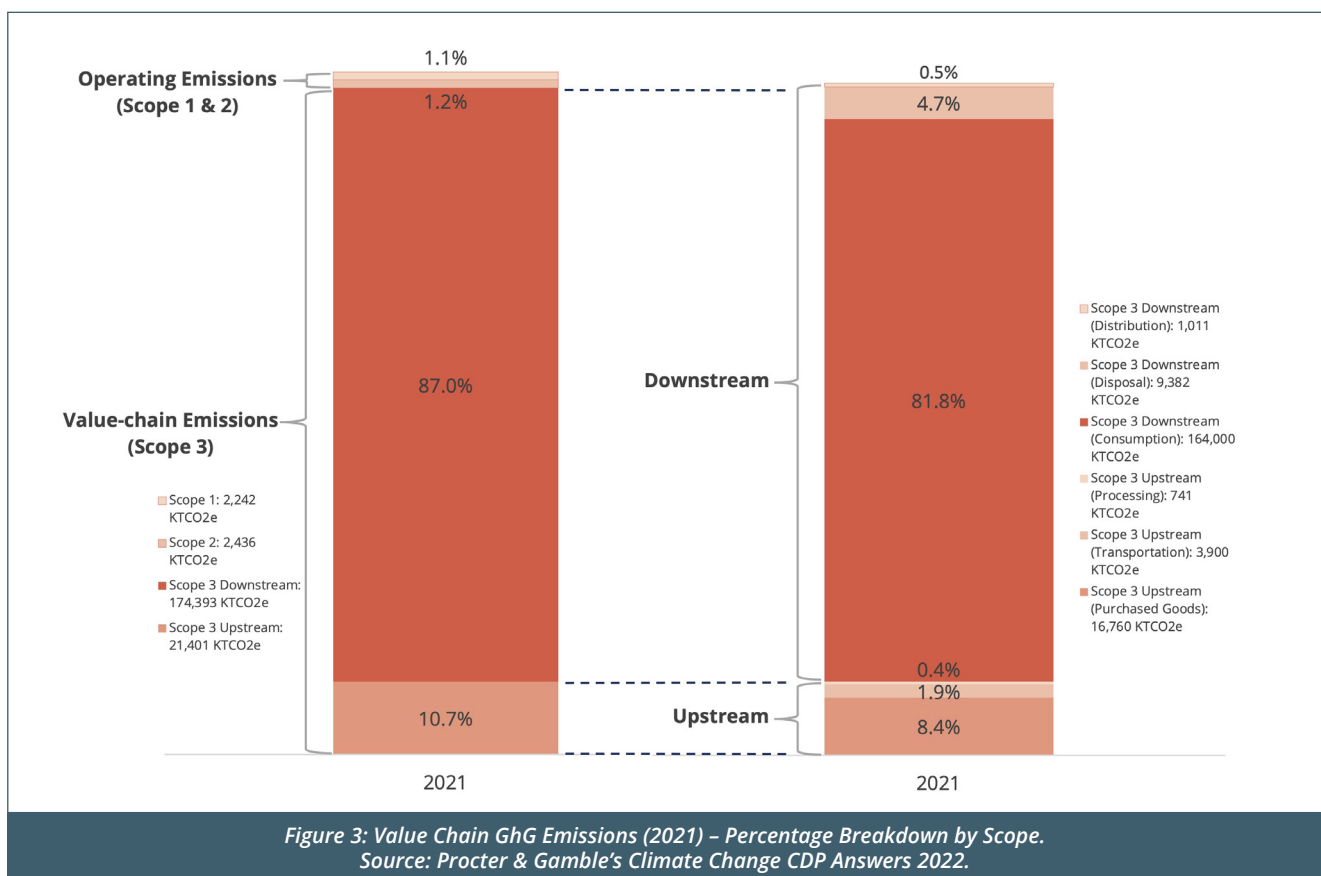


## Climate Alignment

### EMISSIONS INVENTORY

Procter & Gamble's Greenhouse Gas (GhG) emissions in the last five years (2017–2021) averaged 224,155 KTCO<sub>2</sub>e, peaking at 252,024 KTCO<sub>2</sub>e in 2020 and reaching a minimum of 200,472 KTCO<sub>2</sub>e in 2021. In 2021, 1.1% of the company's GhG emissions came from Scope 1, while 1.2% came from Scope 2 (location-

based). The remaining 97.7% of GhG emissions came from Scope 3 activities. Within these emissions, 87% were from downstream activities<sup>8</sup>, while 10.7% were from upstream activities<sup>9</sup>. The leading activities were Downstream Consumption (81.8%), Upstream Purchased Goods (8.4%), and Downstream Disposal (4.7%) - see Figure 3.



<sup>8</sup> Scope 3 upstream emissions include: (1) Purchased Goods – accounting for the emissions from raw ingredients and packaging materials; (2) Processing – including the emissions from 'Capital Goods', 'Fuel and Energy Activities' not covered in Scope 1 and 2, and emissions from 'Waste from Operations'; (3) Transportation – covering emissions from 'Transport & Distribution', and 'Employee commuting'.

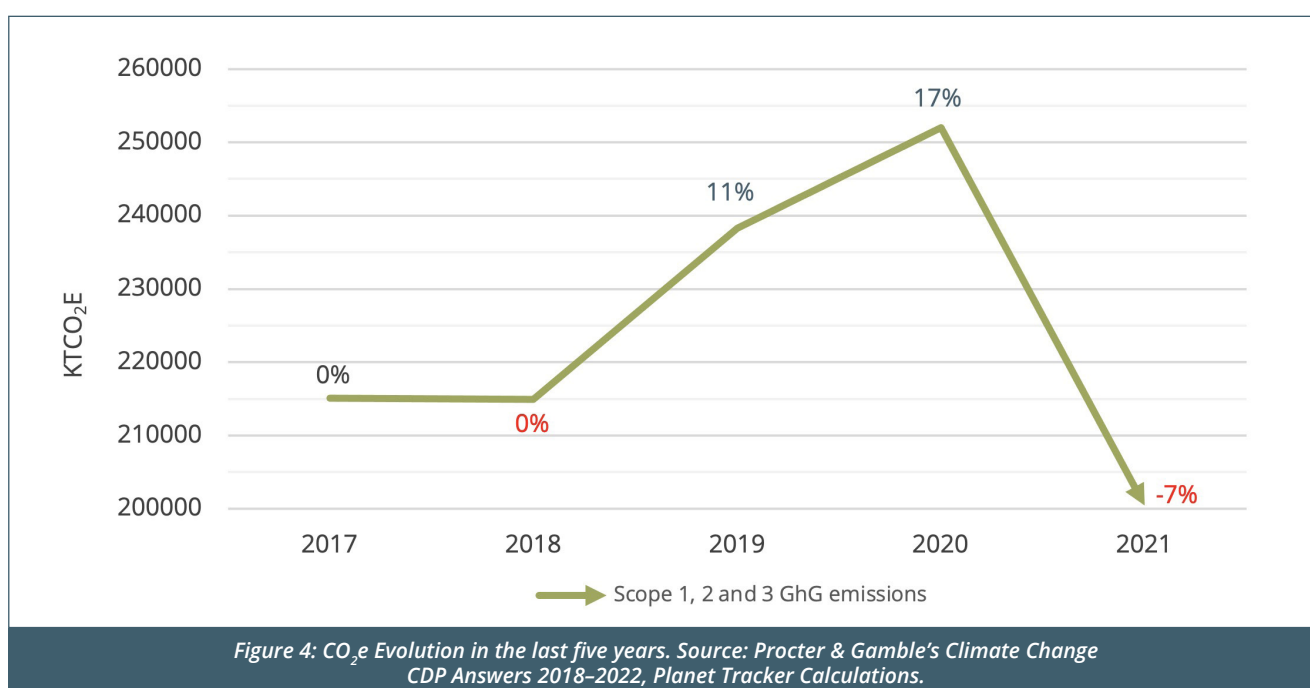
<sup>9</sup> Scope 3 downstream emissions include: (1) Consumption – covering emissions from the 'Use of sold products' which stands for emissions from complementary products and services used together with the company's products – e.g., washing machine derived emissions; (2) Distribution – accounting for the emissions linked to downstream 'Transportation and Distribution' and 'Business Travel'; (3) Disposal – including emissions from the 'End of Life of Sold Products'.



## EXTERNALITIES TRENDS AND TARGETS

Between 2017 and 2021, there was an annual average decrease of Procter & Gamble's total GhG emissions of 1.7%, with an absolute increase of 3% in Scope 1 emissions, and 127% in Scope 3 upstream emissions, and an absolute decrease of 11% in Scope 2 emissions, and of 13% in Scope 3 downstream emissions. Overall these changes lead to an absolute decrease of 7% of all Procter & Gamble's emissions from 2017 to 2021.

Nevertheless, it is of note that the company's absolute emissions decrease of 7% over the last five years (2017–2021) came after an absolute increase of 17% for Scope 1, 2 and 3 GhG emissions in 2020 – see Figure 4. The absolute decrease in emissions of over 20% between 2020 and 2021, was **mainly due to a decrease in Scope 3 (Processing and Consumption) emissions from 208,932 KTCO<sub>2</sub>e in 2020 to 164,000 KTCO<sub>2</sub>e**. Still, **the cause of such an impactful decrease was not justified by Procter & Gamble in any way<sup>10</sup>**.



It is of note that over the same period (2017–2021) Procter & Gamble's revenue increased at a **compound annual growth rate of 4%**. This is in line with the long-term revenue growth target of companies with a similar maturity<sup>11</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>10</sup> This lack of transparency could be justified in part due to the fact that for its consumer use phase emissions, Procter & Gamble relies on general consumer practices data, and thus, the decrease may be caused by external factors unrelated to the company's climate actions.

<sup>11</sup> See Unilever PLC and Colgate-Palmolive Co Climate Transition Analysis.

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 0.8% 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 over 22.7% per year, while downstream Scope 3 emissions are expected to decrease by close to 3.5% per year.**

Extrapolating these trends into the future, **Scope 1 and 2 are projected to reach 2,311 KTCO<sub>2</sub>e and 2,158 KTCO<sub>2</sub>e by 2025, and 2,401 KTCO<sub>2</sub>e and 1,855 KTCO<sub>2</sub>e by 2030, respectively.** Meanwhile, **upstream Scope 3 emissions are expected to reach 48,577 KTCO<sub>2</sub>e by 2025 and 135,341 KTCO<sub>2</sub>e by 2030, while downstream Scope 3 emissions are expected to reach 151,501 KTCO<sub>2</sub>e and 127,064 KTCO<sub>2</sub>e by 2025 and 2030, respectively.**

Overall, **the adjusted extrapolated emissions by 2030 are estimated to be 266,661 KTCO<sub>2</sub>e, with 0.9% belonging to Scope 1 activities, 0.7% to location-based Scope 2, almost 50.8% to Scope 3 upstream, and 47.7% to Scope 3 downstream** – see Figure 5.

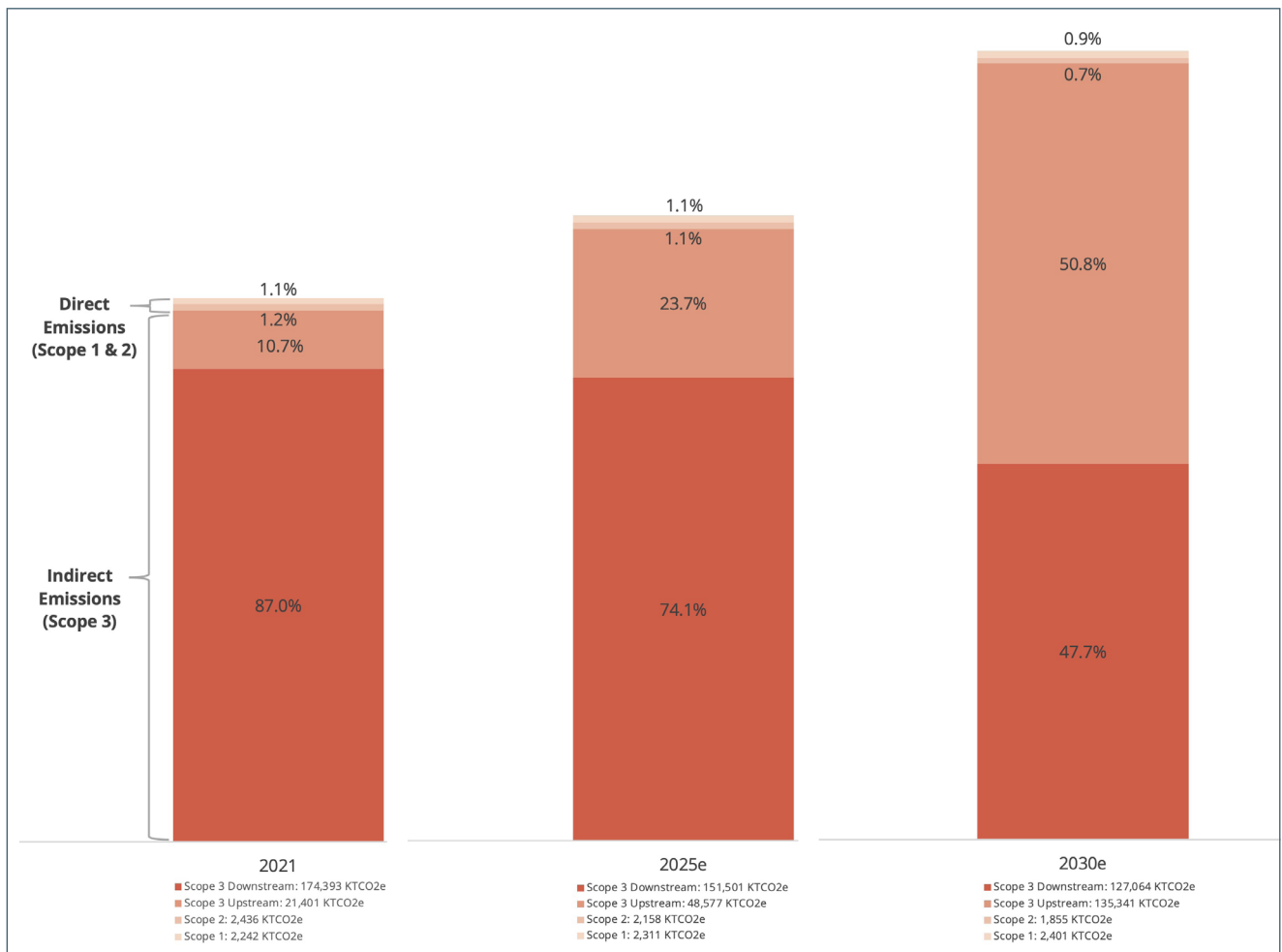


Figure 5: Value Chain GhG Emissions (2025e & 2030e) – Percentage Breakdown by Scope.  
Source: Procter & Gamble's Climate Change CDP Answers 2018–2022, Planet Tracker Calculations.



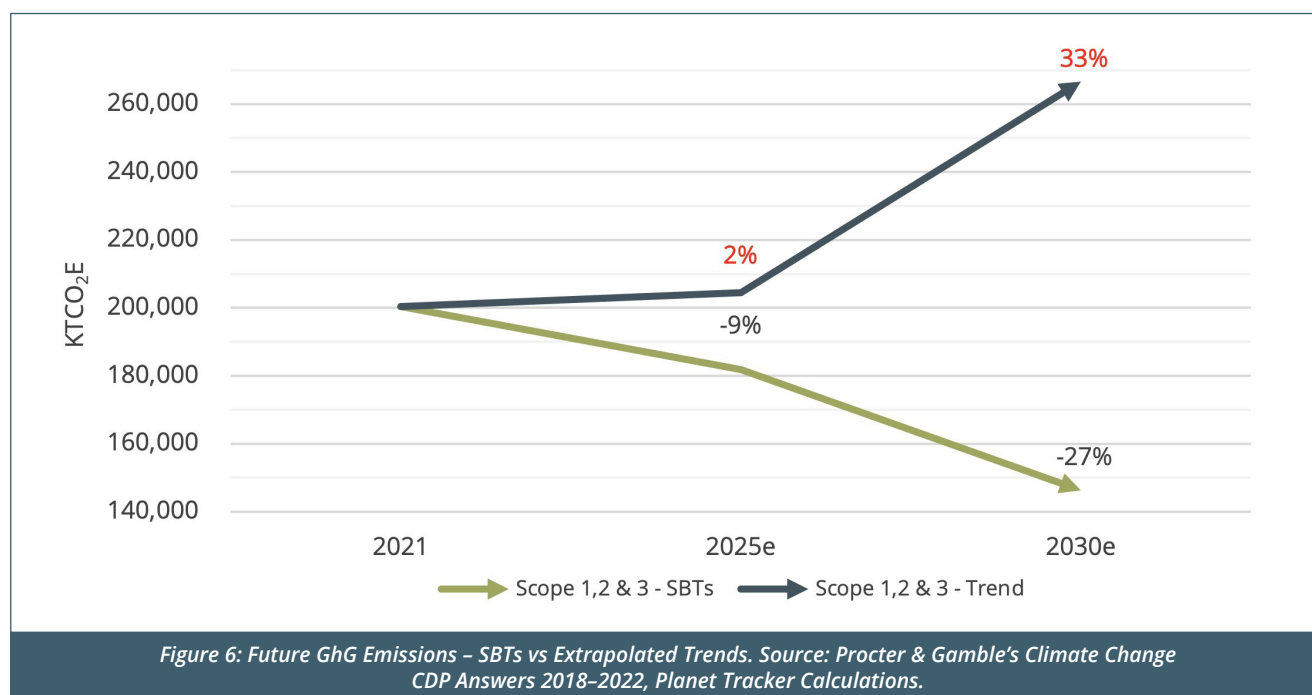
In 2021, Procter & Gamble released its **Climate Transition Net Zero Plan (CTP)**, outlining its climate strategy and emission reduction targets. The company's plan was **set to decrease its Scope 1 and 2 emissions by 50% in absolute terms by 2030 from a 2010 baseline**, and according to the company this has been already achieved as by **June 2020 the company decreased its Scope 1 and 2 emissions by 52%**.

Additionally, **Procter & Gamble intends to achieve Net Zero carbon emissions across its value chain by 2040, by mainly achieving a 40% reduction in supply chain emissions per unit of production by 2030 from a 2020 baseline**. However, the company does not disclose what this target represents in absolute terms, nor how many units of production were used when setting the target, making it challenging for third parties

to assess this objective.

To evaluate Procter & Gamble's future alignment with a 1.5°C pathway by 2030, for simplicity, **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 Scope categories from a 2020 baseline<sup>12</sup>**.

Accordingly, Procter & Gamble's total GhG emissions must be reduced to 181,840 KTCO<sub>2</sub>e by 2025 and 146,174 KTCO<sub>2</sub>e by 2030. However, **the extrapolated trend of emissions from a 2020 baseline**, will indicate that under a 4% annual revenue growth, **Procter & Gamble's emissions will increase by 2% by 2025, reaching 204,547 KTCO<sub>2</sub>e, and increase a further 33% by 2030, reaching 266,661 KTCO<sub>2</sub>e** – see Figure 6.



As observed in Figure 6, by 2030, **Procter & Gamble's Scope 1, 2 (location-based), and 3 GhG emissions are estimated to be 82% 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, Procter & Gamble will align with a 1.8°C scenario by 2030, indicating a 2°C outcome by 2030.

<sup>12</sup> This represents an additional 42% reduction on the already achieved target level of Scope 1 and 2 emissions.



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<sup>13</sup>. Procter & Gamble's long-term Net Zero objectives also follow this exclusion, and at Planet Tracker, we found it imperative to also **consider the company's present profile and potential climate alignment when "optional" Scope 3 emissions** (i.e., downstream 'distribution', 'consumption' and 'disposal') **are excluded**<sup>14</sup>.

By **removing 'optional' Scope 3 emissions, Procter & Gamble's total GhG emissions would be 26,079 KTCO<sub>2</sub>e in 2021 or almost 8 times lower than when these 'optional' emissions are considered. Under this exclusion, Scope 1 and 2 (location-based) emissions would account for 8.6% and 9.3% of the total, respectively, and the remaining 82.1% would belong to upstream Scope 3.** Within this category, in 2021, **15% of Procter & Gamble's total GhG emissions would arise from Upstream Transportation and 67.1% from Purchased Goods**<sup>15</sup>. Thus, when it comes to Climate Transition aligned with mandatory SBT requirements, upstream Scope 3 emissions mitigation becomes paramount.

Still, Planet Tracker found it challenging to understand what Procter & Gamble Scope 3 targets referred to precisely. First, as previously mentioned, **to achieve Net Zero carbon emissions across its value chain by 2040, the company aims for a 40% reduction in supply chain emissions per unit of production by 2030 from a 2020 baseline, but does not disclose how many units of production were used when setting the target** – making it challenging for third parties to assess this objective in absolute terms. Second, in its 2021 CDP Climate Change response,

when these targets were set, Procter & Gamble did not disclose the amount of GhG its 'Upstream Transportation' segment produced.

Instead, the company disclosed an aggregated emissions number where both upstream and downstream transportation emissions were included in the downstream 'Transportation and Distribution' emissions segment<sup>16</sup>. This makes it highly challenging to determine what would be the expected **'Upstream Transportation' emissions level by 2030** although the company hints at a **30% absolute reduction from a 2020 baseline**. Third and last, Procter & Gamble did not disclose how much of the Scope 3 'Purchased Goods' emissions the company aims to mitigate in absolute terms. In order to arrive at a comparable absolute mitigation target, Planet Tracker had to calculate the percentage of absolute emissions equivalent to the intensity target disclosed.

Accordingly, the absolute mitigation target for the Scope 3 'Purchased Goods' emissions were calculated in three steps. First, the 2021 revenue was divided by the 2020 'Purchased Goods' emissions in order to get the 2020 Carbon Intensity ratio<sup>17</sup>. Second, the 2020s Carbon Intensity ratio was reduced by 40% according to the company's intensity reduction target to arrive at the 2030 Carbon Intensity ratio. Third and last, the 2030 Carbon Intensity ratio was multiplied by the 2031 expected revenue (calculated using the 2022 revenue and a CAGR of 4%) resulting in an **absolute mitigation target of 'Purchased Goods' emissions of 10% from 2020 to 2030**. In our opinion, this equivalent absolute mitigation target is relatively low compared to the targets of Procter & Gamble's peers<sup>18</sup>, which brings into question the acceptance of this intensity target by the SBTi.

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

<sup>14</sup> A key explanation behind this exclusion is the company's low impact power over these emissions, as they are highly linked to consumer behaviour, and its ability to measure them with high accuracy.

<sup>15</sup> Which also includes the Upstream Processing emissions (of 741 KTCO<sub>2</sub>e) in this case for ease of targets calculations.

<sup>16</sup> As explained by the company in its 2021 CDP Climate Change response.

<sup>17</sup> Bear in mind that here we assume that upstream Scope 3 emissions lag revenue by one year.

<sup>18</sup> See [Unilever PLC](#) and [Colgate-Palmolive Co](#) Climate Transition Analysis.





Nevertheless, according to these derived absolute targets, Procter & Gamble's recommended total GhG emissions level by 2030 would be 20,324 KTCO<sub>2</sub>e.

Meanwhile, extrapolating the historical trends for these categories will total 139,597 KTCO<sub>2</sub>e by 2030 – see Figure 7.

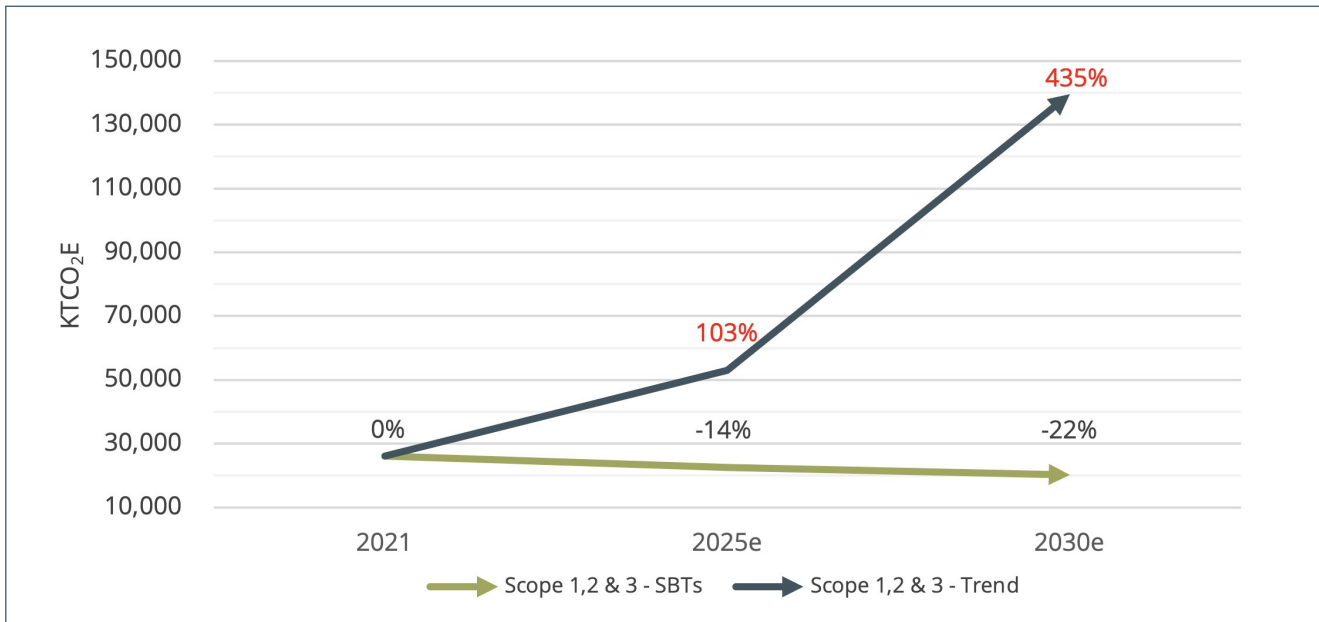


Figure 7: Future GhG Emissions – SBTs vs Extrapolated Trends (when indirect use emissions are excluded).  
Source: Procter & Gamble's Climate Change CDP Answers 2018–2022, Planet Tracker Calculations.

Therefore, it is concluded that **when downstream Scope 3 emissions are removed from the calculations, Procter & Gamble's total GhG emissions level by 2030 based on its trend of emissions would be almost 7 times higher than the recommended level set by the SBTi.**

Based on our climate sensitivity model, **this represents a 587% overshoot, indicating that Procter & Gamble**

**would align with a 3.8°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.**



## Policy and Governance

### ENGAGEMENT AND INFLUENCE

#### Suppliers' Engagement

In response to the CDP questionnaire on climate change in 2022, **Procter & Gamble outlines the implementation of an information collection strategy designed to collect climate change and carbon information from suppliers**, on at least an annual basis. The strategy aims to **target 5% of suppliers** by number and **54% of procurement spend** (direct and indirect). However, it is of note that information collection does not directly correlate to emissions reductions if no further action is taken to engage suppliers to reduce those emissions.

According to Procter & Gamble's Climate Transition Action Plan, the company established a new Product Supply Innovation Centre (PSIC) in Kronberg, Germany, to leverage its innovation and serve as the hub for collaboration with a network of local suppliers, tech companies, R&D institutions, and top universities. The aim of the center is to develop solutions that are global, scalable, and modular to decarbonise its supply chain. Innovations developed in the PSIC will be subsequently circulated globally to Procter & Gamble's 200 sites.

Furthermore, the company also partnered with Forest Stewardship Council (FSC) US and Canada, to measure the forest carbon impacts of FSC forest certification. According to the company, emissions from its wood pulp supply chain only represent a small amount of its Scope 3 emissions. And although Procter & Gamble states that the responsible sourcing of wood pulp remains a priority, **when it comes to suppliers' engagement there is no mention of Brazil where 34% of Timber Products were procured from in 2021.**

On a positive note, **in May 2023 the company released**

**its Forest Commodity Policy**. This is a step in the right direction as **it requires Procter & Gamble's direct suppliers to commit to "no deforestation"**, although **this does not extend to indirect suppliers**<sup>19</sup>.

Also, the company estimates that palm-derived materials currently<sup>20</sup> contribute approximately 10% of supply chain emissions making responsible sourcing a priority. As a consequence, Procter & Gamble brands use 100% Roundtable for Sustainable Palm Oil (RSPO) certified palm oil, as it estimates that this has reduced GhG emissions associated with Palm Oil by approximately 30%<sup>21</sup>. Furthermore, as part of this ambition the company has put forward a smallholder engagement program intended to reach 8,000 palm oil smallholders and help them achieve RSPO smallholder certification<sup>22</sup>.

#### Customers' Engagement

In the response to the CDP questionnaire on climate change in 2022, Procter & Gamble outlines the implementation of a collection and innovation strategy, which aims to encourage innovation to reduce climate change impacts. The programme covers 1% of customers and approximately 25% of customer-related Scope 3 emissions.

As an example of this engagement, Procter & Gamble supports Walmart's 'Project Gigaton', by committing to contribute to 50,000 KTCO<sub>2</sub>e of emissions reduction towards their Gigaton Goal by 2030<sup>23</sup>. Furthermore, Procter & Gamble is a member of WWF's Climate Savers Program and the Renewable Energy Buyers Alliance. As another example of customers engagement, the company entered a partnership with WWF where WWF, Tide PurClean, and celebrity spokesperson Kristen Bell launched the Sustainable Laundry Pledge in an effort to convert as many households as possible to

<sup>19</sup> Find more details [here](#).

<sup>20</sup> According to P&G's 2021 Sustainability Report.

<sup>21</sup> This assessment is based on the following Palm Oil lifecycle study: Schmidt, J., De Rosa, M. (2020) – Certified palm oil reduces greenhouse gas emissions compared to non-certified. Journal of Cleaner Production. 227. 124045.

<sup>22</sup> Find more details [here](#).

<sup>23</sup> Project Gigaton™ is an initiative announced by Walmart in April 2017 which aims to inspire suppliers to reduce upstream and downstream (beyond-the-shelf) greenhouse gas (GhG) emissions from the global value chain. Project Gigaton pledges to eliminate 1,000,000 KTCO<sub>2</sub>e.



energy-saving laundry habits. As part of the campaign for every consumer who pledged to use sustainable laundry habits, Procter & Gamble made a donation to WWF's global conservation efforts. The drive resulted in a donation of USD 250,000 from Tide PurClean to the WWF. Still, the company does not state how many customers pledged to use sustainable laundry habits, or in turn how much was donated per customer that pledged, which makes it difficult to assess the impact of the initiative. More recently the company has also launched a campaign where the Fairy brand is calling on consumers to switch to cooler temperatures when washing dishes by hand or switch to shorter cycles on a dishwasher. Based on this initiative, according to the company, consumers can reduce the emissions associated with dishwashing by between 33% to 60% annually<sup>24</sup>.

**Influence on Policymakers**

Procter & Gamble has supported efforts and statements such as the White House Business Act on Climate Change, the We Mean Business Pledge, Business

Backs Low Carbon USA, the Ceres Climate Declaration, and the Paris Pledge for Action all in regard to the Paris Agreement. They have also joined the Business Ambition for 1.5°C and the UN's Race to Zero Campaign.

Moreover, Procter & Gamble is a founding member of the Climate Leadership Council (CLC) which is seeking to develop a bipartisan carbon dividends approach for the United States that will drive GhG reductions commensurate with those called for by the Paris Accords and benefit the vast majority of Americans.

Furthermore, the company states that trade associations of which it is a member of are aware of its policy positions, including those related to climate change. According to Procter & Gamble, any company position on a matter of public policy is the prevailing position, irrespective of any trade association position. Nevertheless, if Procter & Gamble identifies that an association's position does not align with its climate views, then the company will engage the said organisation. For more details of Procter & Gamble's engagement with associations – see Table 1.

*Table 1: Procter & Gamble's current position and engagement with Climate Policy.  
Source: Procter & Gamble Climate Change CDP Answers 2022.*

Organisation	Current Position and Engagement
Business Roundtable	P&G state they have influenced the Business Roundtable to change their position but do not go into detail on how.
National Association of Manufacturers	P&G state they are currently working to influence NAM to change their position but do not go into detail on how.
Climate Leadership Council	P&G supports the national carbon pricing policy, as an approach that would provide greatest transparency and certainty for businesses.
Americans for Climate Dividends	P&G are members of Americans for Climate Dividends which advocates for adoption of the CLC plan. As the United States is their largest market and currently lacks a comprehensive climate policy approach, supporting development of sound climate policy in the United States is an important priority for the company.

**Procter & Gamble's value chain engagement strategy exhibits a series of initiatives aimed at closing the gap between their historical trend of emissions and the SBT recommended level. Nevertheless, these initiatives, especially with regard to its suppliers seem to have little effect on mitigation,**

**with the GhG emissions from targeted areas experiencing substantial growth over the last five years. Furthermore, the company's Climate Policy coverage and influence appear to be modest as well, especially compared to its peers<sup>25</sup>, which brings into question the company's climate ambitions.**

<sup>24</sup> Source can be found [here](#).

<sup>25</sup> See [Unilever PLC](#) Climate Transition Analysis.



## MANAGEMENT ALIGNMENT

### Sustainability Targets Oversight

#### A. The Board

As disclosed by the company **Procter & Gamble's Board**, as presented in Table 2, **is involved in long-term risk management and strategic planning within the company**. Accordingly, key areas include overseeing alignment of ESG commitments and integration of climate-related objectives into the company's business strategy, oversight of climate related risks and opportunities at a strategic level, and oversight of significant climate related investments.

**The Governance & Public Responsibility Committee within the Board is responsible for oversight of the company's commitment to and its efforts regarding environmental sustainability**, including corporate efforts related to climate change. This committee consists of a Committee Chair (Angela F. Braly) and 3 members (Patricia A. Woertz, Debra L. Lee, Amy L. Chang). And while this Committee specifically oversees Procter & Gamble's climate-related efforts as an aspect of its environmental sustainability oversight, the other Board Committees also review climate and environmental issues due to their impact on risk management, compensation, and innovation.

Furthermore, the Board is kept updated through **the Audit Committee**, which **oversees the Company's enterprise risk management (ERM) process and the implementation of appropriate risk monitoring and management systems**. Procter & Gamble states that the Audit Committee receives regular updates from a multi-functional team within the company which identifies and assesses potential risk factors as part of their Enterprise Risk Management (ERM) program. Findings and recommendations made through the ERM program are reviewed with senior management as well as the Company's Board of Directors and its Audit Committee, which has oversight responsibilities for the program. This process assesses significant factors that may adversely affect their business, operations, financial position or future financial performance and includes an assessment of environmental sustainability risk factors, including climate change.

The Board's Compensation & Leadership Development Committee also connects aspects of senior executive compensation to progress on certain long-term equality, inclusion and environmental sustainability goals, including specific goals related to climate change to reinforce leadership accountability for climate efforts and help ensure commitment of resources and investments needed to drive progress against climate goals.

Table 2: Board of Directors. Source: [here](#).

Committee	Audit Committee	Compensation & Leadership Development Committee	Governance & Public Responsibility Committee	Innovation & Technology Committee
Jon R. Moeller (Chairman of the Board)				
Patricia A. Woertz	Chair		•	
Christine M. McCarthy	•	•		
Terry J. Lundgren		Chair		•
Debra L. Lee		•	•	
Christopher Kempczinski	•	•		
Joseph Jimenez		•		Chair
Amy L. Chang			•	•
Angela F. Braly	•		Chair	
B. Marc Allen	•			•



## B. The Management

The Climate Council is made of members of the Executive Committee, as presented in Table 3. The main purpose of this committee is to:

- 1 Monitor external trends and developments related to climate change via engagement with outside organisations, conferences and monitoring external publications.
- 2 Develop and maintain the company's overall climate

strategy.

- 3 Monitor progress vs climate-related goals and ensure interventions are implemented when needed.

The Chair of the Climate Council is a member of the Sustainability Leadership Council and brings relevant climate-related issues to the Sustainability Leadership Council for awareness, strategic guidance, alignment to proposed actions and goals, as well as discussion of budget needs.

Table 3: Executive Committee – Climate Council. Source: P&G 2021 TFCO.

Committee	Position
Chair	Vice President, Global Sustainability & Member, Sustainability Leadership Council
Participants	Climate and energy leaders from Manufacturing
	Climate and energy leaders from R&D
	Climate and energy leaders from Government Relations
	Climate and energy leaders from Procurement

The Sustainability Leadership Council, as presented in Table 4, holds the purpose of maintaining overall oversight of sustainability efforts, including climate change. This entails monitoring progress vs. goals, providing strategic direction, alignment to proposed program objectives and goals, and discussion and allocation of resource needs.

The CEO and Chairman of the Board sits on the SLC and can bring relevant climate-related items to the Company's Board of Directors and its Governance & Public Responsibility Committee, which has oversight of many of the Company's Corporate Citizenship efforts, including climate.

Table 4: Executive Committee – Sustainability Leadership Council. Source: P&G 2021 TFCO.

Committee	Position
Sandar G. Raman (Chair)	Chief Executive Officer – Fabric & Home Care
Jon R. Moeller	President and CEO
Victor Aguilar	Chief Research, Development and Innovation Officer
Luc Reynaert	Chief Product Supply Officer
Virginie Helias	Chief Sustainability Officer
Loïc Tassel	President – Europe
Other participants	Chief Marketing Officer, Chief Legal Officer, Chief Communications Officer, Vice President of Sustainability



### Management Compensation

Procter & Gamble’s compensation programmes are divided by type (fixed versus performance-based), length of performance (short-term versus long-term), and form (cash versus equity) as defined in Figure 8. For more details, the Named Executive Officer (NEO)<sup>26</sup> compensation is determined by the performance of the individual, the performance of the individual’s business

unit, and the performance of the company as a whole. This mix of components is aimed at incentivising both individual accountability and collaboration to build long-term shareholder value. Figure 8 shows the average mix of the three main components of FY 2021–22 NEO compensation based on type, length of the performance period, and form of compensation.

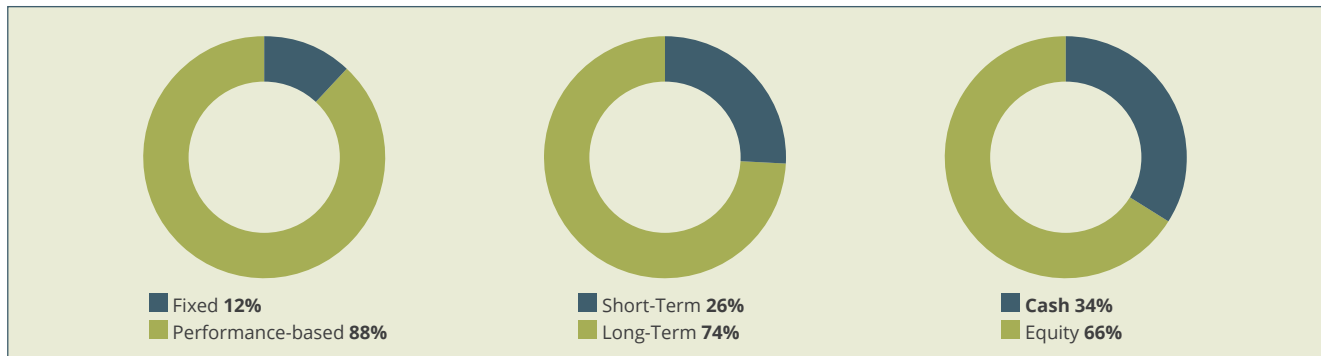


Figure 8: Procter & Gamble Compensation Mix. Source: Procter & Gamble’s 2022 Proxy Statement.

The only programme that is directly linked to sustainability is the Short-Term Achievement Reward (STAR) programme defined in Figure 9. At the beginning of each year, the Compensation & Leadership Development Committee sets a market-competitive target as a percentage of salary for each NEO based on total cash compensation benchmarking. The STAR award is based on a weighted formula of 70% Business

Unit Performance Factor and 30% Total Company Performance Factor – in which ESG is considered a sub-factor. Each factor ranges from 0%-200%, while the ESG sub-factor adjusts the Total Company Performance factor portion of the STAR award as a multiplier in the range of 80% to 120%. Executives can elect to receive stock options in lieu of cash or may elect to defer into a non-qualified deferred compensation account.

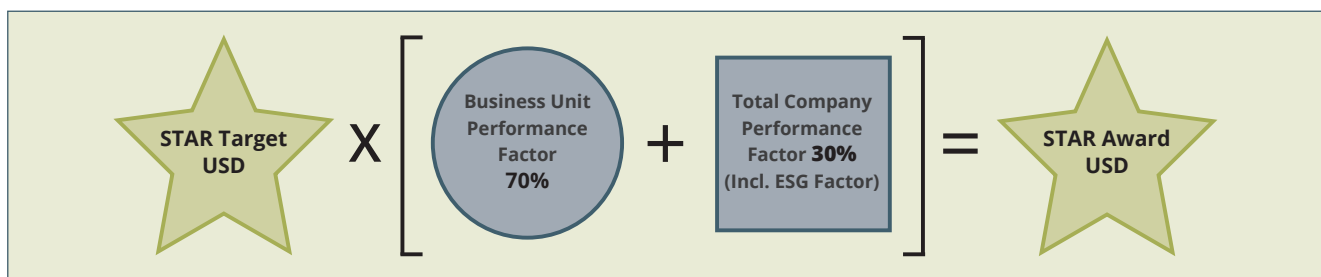


Figure 9: Procter & Gamble STAR program formula. Source: Procter & Gamble’s 2022 Proxy Statement.

**Planet Tracker views Procter & Gamble’s management stance as inadequate to support its goal of aligning with a 1.5°C scenario by 2030.** Especially since the company’s sustainability-linked compensation is a subfactor that adds to short-term

performance-linked compensation, and, based on Procter & Gamble’s emissions growth in the last five years, does not seem to create any sense of urgency. Also, it does not align with the medium to long-term timeframe of the climate transition endeavour.

<sup>26</sup> The NEOs encompass the Chief Executive Officer, the Chief Financial Officer and the next most highly-paid executive officers of the corporation.

## Risk Analysis

### FINANCIAL IMPACT

Procter & Gamble identifies in its CDP Climate Response the global climate change as a significant risk and opportunity factor to its business operations. Accordingly, the company aims to develop a climate strategy to address it. Procter & Gamble has assessed in its CDP Climate Response climate-related issues potentially arising in each time horizon (short-, medium- and long-term<sup>27</sup>) using a climate-related scenario analysis, which was conducted with the help of third-party experts, as well as following the ERM process<sup>28</sup>. According to the company, the information collected through this process helps Procter & Gamble to prioritise its risk management activities and informs its overall strategy. The selected scenarios provide a range of possible future states from low, moderate, and high levels of potential impacts.

**The following analysis describes the potential impacts of both Physical Risks, such as extreme weather and water scarcity, and Transition Risks, such as carbon pricing.**

#### Transition Drivers

Procter & Gamble does not provide a quantitative analysis of their transition drivers. However, at Planet Tracker, we **calculated the potential impact of expected Carbon Pricing Mechanisms (CPMs) on Procter & Gamble's future GhG emissions**. To carry out our calculations, **we utilised the Inevitable Policy Response (IPR) carbon pricing for 2030<sup>29</sup> and applied it to Procter & Gamble's Scope 1, 2, and Upstream**

**Scope 3 emissions<sup>30</sup>**. For Scope 1 and 2 emissions, we employed their geographic origin weighting of the last three years and estimated a future weighted average price of USD 63 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 4,256 KTCO<sub>2</sub>e by 2030 would amount to USD 268 million.**

With respect to **Scope 3 mandatory emissions**, as the European Carbon Border Adjustment Mechanism<sup>31</sup> develops, Procter & Gamble may be required to extend its risk assessment to these emissions. Therefore, we have also estimated the potential financial impact of future CPMs on Procter & Gamble's operations regarding its upstream Scope 3 emissions, using a slightly different approach. By employing a revenue geographic origin weighting of the last three years, we estimated a future weighted average price of USD 62 per TCO<sub>2</sub>e<sup>32</sup>. Based on this, **the projected upstream Scope 3 emissions of 135,341 KTCO<sub>2</sub>e by 2030<sup>33</sup>, in the absence of future mitigation measures, could result in an increase in costs of up to USD 8.3 billion per year in the next ten years.**

Even if we are to assume only an 80% cost absorption from suppliers when it comes to Scope 3 emissions<sup>34</sup>, **the potential CPMs applied to Procter & Gamble's total GhG emissions by 2030 would still represent a financial impact of USD 6.9 billion or approximately 53% of its current five-year average annual operating profit, with 51% linked to its Scope 3 upstream emissions.**

<sup>27</sup> Short-term: between 1 and 3 years; Medium-term: between 3 and 6 years; and Long-term: between 6 and 30 years.

<sup>28</sup> The ERM process assesses significant factors that may adversely affect its business, operations, financial position or future financial performance and includes an assessment of environmental sustainability risk factors, including climate change.

<sup>29</sup> [The Inevitable Policy Response to Climate Change \(2021\)](#)

<sup>30</sup> Being upstream Scope 3 emission the only Scope 3 emissions mandatory to mitigate according to SBTi.

<sup>31</sup> [EU: New regulation taxing produce coming from countries with a lower carbon tax.](#)

<sup>32</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.

<sup>33</sup> This is the extrapolation of 'Purchased Goods and Services' and 'Upstream Transportation' emissions only. A compound annual change of 22.74%, as deducted from the 2017–2021 period, was applied in this extrapolation to each segment.

<sup>34</sup> Planet Tracker assumed that the potential impact caused by expected CPMs on Upstream emissions will not be passed 100% from suppliers to the company but rather an industry standard of 80% of the cost will be absorbed.



These findings, which are detailed in Table 5, **suggest that Procter & Gamble 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.**

**Nor other Climate Transition challenges such as the EU zero-tolerance deforestation law are considered by the company<sup>35</sup>.**

*Table 5: External Policy Drivers – Summary of Material Risks by 2030.  
Source: Procter & Gamble Climate Change CDP Answers 2022, Planet Tracker Calculations.*

Assessment by	Value Chain	Implied Price per TCO <sub>2</sub> e by 2030	Expected KTCO <sub>2</sub> e by 2030	Likelihood of absorption	Probabilistic Financial Impact
Planet Tracker	Scope 1 and 2	USD 63	4,256	100%	USD 268 million
Planet Tracker	Upstream Scope 3	USD 62	135,341	80%	USD 6,670 million

### Physical Impact Drivers

**According to Procter & Gamble's Physical Impact Drivers analysis, the company is exposed to acute physical risk, with the highest exposure to water stress, cold waves, and heat waves,** as outlined in Table 6. Nevertheless, the company's **TCFD-**

**recommended disclosures fail to quantify these risks.** In order to determine the potential impact of physical risks over the medium-term (i.e., the next six years), Planet Tracker also reviewed the company's **2021 CDP Water Questionnaire.**

*Table 6: Number and proportion of facilities exposed to water risks. Source: Procter & Gamble's CDP Reports 2021.*

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.	Procter & Gamble'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.

<sup>35</sup> For more details read – <https://www.reuters.com/sustainability/investors-may-exit-consumer-goods-firms-over-eu-deforestation-law-2023-06-13>





The questionnaire reveals that **up to 33 of Procter & Gamble's manufacturing facilities are exposed to**

**water risks**, as defined further in Table 7

Table 7: Number and proportion of facilities exposed to water risks. Source: Procter & Gamble's Water CDP Reports 2021.

Country	River Basin	No. of facilities	% of total facilities	Country	River Basin	No. of facilities	% of total facilities
Brazil	Rio de Janeiro Coast	1	<1%	Morocco	Bou Regreg	1	<1%
Brazil	Tiete 2	1	<1%	Pakistan	Hob/Porali	2	<1-25%
China	Hai He Delta	1	<1%	Peru	Lima Coast	1	<1%
China	Tuo Jiang	1	<1%	Romania	Ialomita	1	<1%
China	Xuanhui He	1	<1%	Saudi Arabia	Persian Gulf Western Coast 2	1	<1%
India	Sutlej	2	<1%	Saudi Arabia	Saudi Arabia West Coast 5	1	<1%
India	Yamuna 1	1	<1%	Spain	Segura	1	<1%
India	Musi/Aler	1	<1%	South Africa	Krokodil	1	<1%
India	Sabarmati	1	<1%	Thailand	Sa Keo	1	<1%
India	Jamni	1	<1%	Turkey	Kocaeli	1	<1%
Italy	Garigliano	1	<1%	United States	Lower Salt	1	<1%
Mexico	Moctezuma	4	<1-25%	United States	Lower Bear/Malad	1	<1%
Mexico	Lerma/Salamanca	1	<1%	United States	Calleguas	1	<1%
Mexico	Laja	1	<1%	United States	Lower American	1	<1%

Furthermore, Procter & Gamble identifies risks in its value chain (beyond direct operations) that could have a substantive financial or strategic impact on its business activities. The primary risks affecting the company's supply chain due to water scarcity are located in Mexico – Moctezuma River Basin (which holds 1-25% of the company's facilities) and Pakistan - Hob/Porali River Basin (which holds 1-25% of its facilities). However, **Procter & Gamble does not disclose any potential revenue impacts linked to these exposed facilities.**

In conclusion, Procter & Gamble does not disclose

any monetary impacts associated with their risks, in particular their identified water-exposed facilities. **The lack of quantification of these risks in Procter & Gamble's TCFD-recommended disclosures suggests that the investors and lenders in the company might be uninformed regarding the risks associated with Climate Transition and Climate Change. Furthermore, it is highly challenging to assess whether the company is underestimating these risks or not since they do not publicly disclose them in terms of potential financial impacts.**



## RISK MANAGEMENT

### A. CPMs

In regard to climate risk management, Procter & Gamble is committed to comply 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 Procter & Gamble, when 'optional' or indirect use emissions are considered as part of the company's GhG footprint, approximately 8.5% of the company's emissions are generated by its suppliers<sup>36</sup>.

**The company stated it is working to encourage key material suppliers to set science-based climate targets, use bio-based materials, use recycled carbon, and increase their use of renewable electricity.**

Still, if we are to look at Procter & Gamble's GhG footprint for the year 2021 when 'optional' emissions are excluded, over 64% came from its suppliers, making these segments of emissions even more relevant to the company's transition.

Procter & Gamble also focuses, as disclosed by the company, on designing sustainable products and messaging to help consumers build more sustainable habits. In 2010, P&G brands Tide and Ariel made a commitment to have 70% of machine loads be low-energy cycles by 2020. This was achieved and according to the company, the initiative has **contributed to the avoidance of approximately 15,000 KTCO<sub>2</sub>e emissions.**

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 optional**

**according to the SBTi, and thus unlikely to be a part of the future CPMs.** Instead, the company's main source of 'mandatory' emissions, which are more likely to be a part of future CPMs are not included in the company's risk management disclosed initiatives.

### B. Water Security

**Procter & Gamble 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 Positive Future initiative in 2022 to develop a comprehensive water security framework and recommend assessment tools for its global operations.**

According to Procter & Gamble, the strategy plans to restore more water than is consumed from its manufacturing sites in 18 water-stressed areas around the world, as well as restore more water than is consumed when using its products in high-water-stressed metropolitan areas such as Los Angeles and Mexico City.

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. Procter & Gamble also worked with the WRI to derive water consumed during its products use within each of the 18 water stressed basins. The assessment was realised by combining the company's data on product shipments and consumer habits and practices with publicly available evaporation rates, leakage rates and country/basin populations. From this Procter & Gamble was able to derive a total annual consumption volume associated with its product use.

After comparing the volumes of all 18 basins, it was found that two priority basins, Los Angeles and Mexico

<sup>36</sup> The rest being generated as it follows: 1.3% Operations; 2% Transportation; 4.7% End of Life of Sold Products; and 83.3% Consumer Use.



City, are responsible for over half of the total Procter & Gamble-associated water consumption across all priority basins.

**While Procter & Gamble's approach to identifying and managing physical risks 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 Transition risks and opportunities.** This lack of information leads to uncertainty about whether appropriate action is being taken or will be taken to align with the Paris Agreement.

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



## Strategy Assessment

### CAPITAL ALIGNMENT

Procter & Gamble released its **Climate Transition Net Zero Plan (CTP) in 2021**, outlining its strategy to align with the Paris Agreement's 1.5°C global warming limit. **By June 2020**, according to the company, it had already surpassed its goal of reducing **Scope 1 and 2 emissions** by 50% in absolute terms by 2030 from a 2010 baseline, achieving a **52% decrease**.

Furthermore, in its CTP, **Procter & Gamble pledges to achieve Net Zero carbon emissions across its value chain by 2040, with a focus on attaining a 40% reduction in supply chain emissions per unit of production by 2030 from a 2020 baseline**. This equates to a **30% absolute reduction in Upstream 'Transportation' emissions and a 10% in 'Purchased Goods'**.

However, **Procter & Gamble's Net Zero goals exclude any optional emissions as per the SBTi Net Zero Standard<sup>37</sup>, such as Scope 3 categories 9, 11, and 12**, which stand for downstream 'distribution', 'consumption' and 'disposal' emissions.

At Planet Tracker, we have also assessed the company's present profile and potential alignment if downstream Scope 3 emissions were excluded. By eliminating downstream Scope 3 emissions, Procter & Gamble's total emissions in 2021 amounted to 26,079 KTCO<sub>2</sub>e. Extrapolating these emissions up to 2030 would result in total GhG emissions of 139,597 KTCO<sub>2</sub>e. In comparison, the deducted absolute SBTs recommend a total GhG emissions level of 20,324 KTCO<sub>2</sub>e by 2030.

Therefore, **when downstream Scope 3 emissions are removed, Procter & Gamble's mitigation gap would equal a total of 119,273 KTCO<sub>2</sub>e**.

**Procter & Gamble acknowledges that indirect use-phase emissions make up a significant amount of its footprint when included, making up 87% of its total GhG emissions in 2021**, or 174,393 KTCO<sub>2</sub>e. Including downstream Scope 3 emissions, Procter and Gamble's total GhG emissions in 2021 reached 200,472 KTCO<sub>2</sub>e. Extrapolating these emissions to 2030 would result in total GhG emission levels of 266,661 KTCO<sub>2</sub>e, or a 33% increase.

However, when a standard absolute reduction target of 42% is applied to all scopes from 2020 to 2030, the SBT would recommend a total GhG emissions level of 146,174 KTCO<sub>2</sub>e by 2030. Therefore, **when downstream Scope 3 emissions are included, Procter & Gamble's mitigation gap would equal a total of 120,487 KTCO<sub>2</sub>e**.

Procter & Gamble discloses its collaboration with both The Alliance to End Plastic Waste<sup>38</sup> and the Circulate Capital Ocean Fund<sup>39</sup>. However, the company has not disclosed any investment information for either of these funds or any other funds pertaining to the mitigation of its emissions. On this basis, without a disclosed correlation between investment, mitigation actions per scope, and anticipated GhG emissions amount, **it cannot be stated that Procter & Gamble's capital allocation is in line with its objectives**.

<sup>37</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. For more details visit [here](#).

<sup>38</sup> The AEPW is supported by over 70 companies who have committed to invest at least \$1.5 billion by 2023 in solutions that stop plastic leakage to the environment. See Planet Trackers Report on the AEPW [here](#).

<sup>39</sup> \$100mm investment fund focused on infrastructure needed in SE Asia where lack of capital for waste infrastructure has been a barrier to stopping plastic leakage.



## TRANSITION APPRAISAL

Planet Tracker conducted an analysis of Procter & Gamble'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, Procter & Gamble's primary aim is to reduce in absolute terms its Upstream 'Transportation' emissions and 'Purchased Goods' emissions by 2030, by a 30% and a 10% respectively, from a 2021 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 Procter & Gamble's long-term goals only encompass mandatory<sup>40</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, Procter & Gamble's mitigation gap stands at a total of 119,273 KTCO<sub>2</sub>e**. Conversely, **when downstream Scope 3 emissions are included in our calculations, Procter & Gamble's mitigation gap stands at a total of 120,487 KTCO<sub>2</sub>e**.

Also, Planet Tracker reviewed Procter & Gamble'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 **Procter & Gamble's value chain engagement strategy exhibits significant limitations**, with GhG emissions from targeted areas consistently experiencing substantial growth over the last five years (i.e., upstream Scope 3 emissions

increased a 127% from 2017 to 2021). Furthermore, **the company's coverage and influence regarding Climate Policy appear to be modest**, detracting from Procter & Gamble's likelihood of achieving its climate targets.

Additionally, **there is a lack of disclosures in the risk assessment linked to the company's main source of future emissions**, i.e., financial impact of potential CPM linked upstream Scope 3 activities. Also, **quantified metrics for mitigating or managing the related identified climate transition risks are not provided**. Similarly, **there is no disclosed investment in mitigation actions, and the expected mitigated GhG emissions amount**. All of this indicates in our view that **Procter & Gamble is unlikely to close the gap, independent of whether optional emissions are considered part of the Net Zero target or not**.

**To assess Procter & Gamble'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>41</sup>**.

In other words, the model compares the global CO<sub>2</sub>e remaining budget by 2030 with Procter & Gamble'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 **Procter & Gamble's extrapolated trend of emissions will align the company with a 1.8°C warming scenario by the year 2030 if downstream Scope 3 emissions are included and with a BAU pathway if not** – see Table 8.

<sup>40</sup> According to the GhG Protocol and the SBTi.

<sup>41</sup> As stated by IPCC (p. 95) – 'Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development'.



Table 8: Procter & Gamble's Temperature Alignment – Estimate of Climate Sensitivity. Source: Planet Tracker Calculations.

Variables	P&G's Trend incl. downstream S3 emissions	P&G's Trend excl. downstream S3 emissions
Suggested KTCO <sub>2</sub> e budget (SBT)	146,174	20,324
Expected KTCO <sub>2</sub> e emissions (2030)	266,661	139,597
Target overshoot (undershoot)	82%	587%
SBT temperature (°C)	1.5	1.5
Global KTCO <sub>2</sub> e remaining budget (2030)	30,000,000	30,000,000
P&G's Over/(Undershoot) in KTCO <sub>2</sub> e	24,728,132	176,057,371
Baseline Temperature (°C)	1.1	1.1
Warming Ratio <sup>42</sup>	1.33333E-08	1.33333E-08
P&G's Temperature Alignment (°C) <sup>43</sup>	1.8	3.8

In summary, Procter & Gamble's existing CTP outlines various initiatives to mitigate its environmental impact. However, the plan offers limited information about Scope 3 mitigation efforts and fails to disclose the necessary investments required to support these ambitions.

In our assessment, **it is advisable for investors to urge Procter & Gamble to provide more comprehensive disclosures, particularly with regard to its upstream investments. This additional transparency would enable a better evaluation of the company's potential to bridge the gap between the recommendations of the SBTi and its projected future emissions level.**

## Planet Tracker's evaluation suggests that Procter & Gamble is expected to align with a BAU pathway of +3°C by 2030<sup>44</sup>

<sup>42</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>43</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>44</sup> Based on the data accessed by Planet Tracker until May 2023.



## Disclaimer

As an initiative of Tracker Group Ltd., Planet Tracker's reports are impersonal and do not provide individualised advice or recommendations for any specific reader or portfolio. Tracker Group Ltd. is not an investment adviser and makes no recommendations regarding the advisability of investing in any particular company, investment fund or other vehicle. The information contained in this research report does not constitute an offer to sell securities or the solicitation of an offer to buy, or recommendation for investment in, any securities within any jurisdiction. The information is not intended as financial advice.

The information used to compile this report has been collected from a number of sources in the public domain and from Tracker Group Ltd. licensors. While Tracker Group Ltd. and its partners have obtained

information believed to be reliable, none of them shall be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages. This research report provides general information only. The information and opinions constitute a judgment as at the date indicated and are subject to change without notice. The information may therefore not be accurate or current. The information and opinions contained in this report have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by Tracker Group Ltd. as to their accuracy, completeness or correctness and Tracker Group Ltd. does also not warrant that the information is up-to-date.





## 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.

## ACKNOWLEDGEMENTS

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

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

**Reviewers:** Sarah Clark-Hamel, Senior Manager of Climate Action 100+ at Ceres Inc.;  
Nako Kobayashi, Manager of Food Emissions 50 at Ceres Inc.

## WITH THANKS TO OUR FUNDERS



*Suggested citation: Visinovski I., Procter & Gamble Climate Transition Analysis, Planet Tracker (2023)*

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