Planet Tracker

Climate TRANSITION
UNILEVER LEADS; COLGATE AND P&G LAG

Author

Ion Visinovschi
Research Analyst, Planet Tracker

Reviewers

John Willis
Director of Research, Planet Tracker

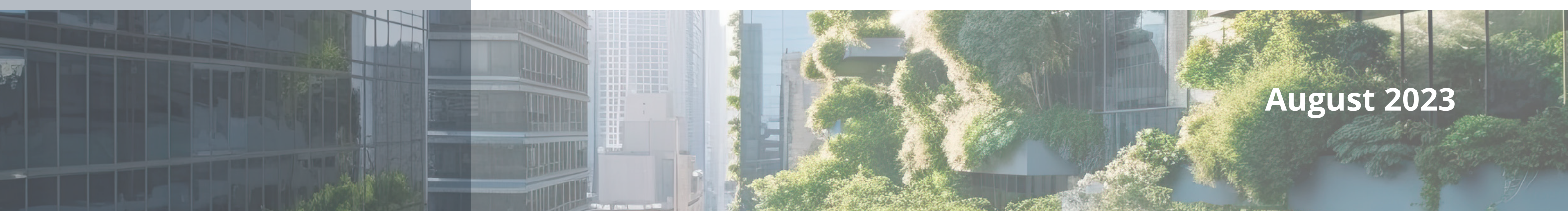
Peter Elwin
Director of Fixed Income, Head of Food & Land Use Programme, Planet Tracker

Executive Summary

This research note compares the climate transition plans of three leading consumer goods companies: Unilever, Colgate-Palmolive and Procter & Gamble. By presenting a like-for-like comparison of these global brand giants, our objective is to provide financial institutions (FIs), the companies themselves, and the wider public with insights into the alignment of their climate transition plans with the Paris Agreement.

The assessment methodology employed in Planet Tracker's climate transition analysis (CTA) builds on key existing frameworks such as the CDP Climate Transition Plan, McKinsey Sustainability's Solving the net-zero equation, MSCI's Climate and Net-Zero Solutions, PRI's Pathways to Net-zero and the TCFD's Recommendations.

By using a standardised blueprint, we are able to evaluate the credibility of the companies' climate transition plans, compare their performance and identify best practices for achieving alignment with a 1.5°C temperature rise target by 2030.



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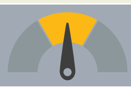
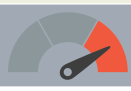
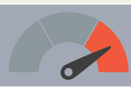
Key Takeaways

- Unilever, Colgate-Palmolive and Procter & Gamble, as Food, Personal and Home Care manufacturers, have significant downstream emissions (mainly relating to consumer use of their products), but their initiatives to mitigate indirect use emissions should be carefully considered for potential greenwashing.
- Indirect use emissions (i.e., emissions derived from products and services that must be used in conjunction with the company's products) are optional components of Scope 3 reporting and transition ambitions under GhG Protocol and SBTi[1] guidelines.
- Unilever exhibits the most credible Transition Plan among the three, boasting a comprehensive upstream engagement strategy, explicit links between management compensation and climate transition targets and quantified scenario analysis revealing potential climate financial impacts.
- Despite having the most up-to-date approved SBTs and lower absolute emissions, Colgate-Palmolive falls behind in credibility – concrete reduction initiatives, disclosure of financial risks, alignment of capital expenditure plans with emission reduction targets and climate adaptation requirements are necessary components missing from their plan.
- Procter & Gamble's emphasis on upstream Scope 3 mitigation initiatives is limited, as evidenced by their sparse information on Scope 3 mitigation efforts and investments.

Table 1: Unilever, Colgate-Palmolive and Procter & Gamble Overall Climate Transition Assessment.
Source: Unilever, Colgate-Palmolive and Procter & Gamble 2022 Climate CDP Responses and Annual reports.

Transition Element	Unilever	Colgate-Palmolive	Procter & Gamble
Climate Alignment			
Policy & Governance			
Risk Analysis			
Strategic Assessment			
Overall Transition			


Aligned with 1.5°C


Aligned with +2°C


Aligned with BAU +3°C

[1] The Science Based Targets initiative (SBTi) is a collaboration between the CDP (was Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Since 2015 more than 1,000 companies have joined the initiative to set a science-based climate target.

Company action points

Consumer goods companies should focus on the following actions to ensure their climate transition processes are effective:

1 Implement specific upstream Scope 3 emissions to tackle their main climate transition challenge.

2 Align capital expenditure plans with emissions reduction targets and climate adaptation requirements.

3 Enhance supplier engagement and transparency regarding upstream Scope 3 emissions, investment strategies and progress reporting.

4 Quantify financial risks under various climate scenarios, including supply chain impacts.

5 Regularly report progress on targets, expenditures and alternative plans.

Investor action points

Investors should actively engage with these companies to press them to take these actions as well as seeking greater transparency and encouraging comprehensive disclosure of their climate transition plans. Without these investors risk to be misinformed, especially when it comes to the potential risks derived from Climate Change and Transition.

Furthermore, as part of their Net Zero portfolio strategy, investors should also seek to influence industry standards and advocate for governments to adopt robust climate policies that advance the much-needed alignment with the Paris Agreement.

Introduction

Background and context

Planet Tracker has been commissioned by Climate Works Foundation to conduct an in-depth analysis of the climate transition plans of prominent consumer goods companies. The objective of our research is to evaluate the credibility of these transition plans and ensure alignment with the goals of the Paris Agreement, specifically focusing on companies listed in the Climate Action 100+ (CA100+) initiative.

To accomplish this task, Planet Tracker has developed a comprehensive climate transition assessment framework[2], drawing upon key elements from established frameworks such as the CDP Climate Transition Plan, McKinsey Sustainability's Solving the net-zero equation, MSCI's Climate and Net-Zero Solutions, PRI's Pathways to Net-zero and the TCFD's Recommendations, among others. By using this standardised framework, we not only evaluate the credibility of each company's climate transition plan, but also facilitate meaningful comparisons between companies and identify best practices that could drive the alignment with a 1.5°C temperature increase target by 2030.

Research note purpose

The purpose of this research note is to catalyse substantial change by leveraging the power of financial markets to influence stakeholders within environmentally unsustainable industries, encouraging them to adopt more sustainable practices. Recognising the diverse range of behaviours within the Consumer Goods sector, we have segmented it into subcategories based on companies' activities. This approach allows us to conduct a focused analysis and comparison within the Food, Personal Care, and Home Care manufacturing sector. By presenting a like-for-like comparison of these top manufacturers, our objective is to provide Financial Institutions, the companies themselves, and the wider public with valuable insights into the alignment of their climate transition plans with the Paris Agreement. This will facilitate a better understanding of their sustainability efforts and contribute to the broader goal of promoting sustainability within the industry.

[2] For more details see our post: https://planet-tracker.org/net-zero-transition-plan-assessment-template-for-investors-in-consumer-goods-companies

Climate Transition: Assessment Framework

Transition assessment methodology

To evaluate the credibility of the companies' climate transition plans, Planet Tracker has developed a robust assessment framework. Building upon existing frameworks and primarily referencing the CDP Climate Transition Plan Elements (shown on the left side of Table 2), our framework comprises four key sections that align closely with other relevant frameworks. For a comprehensive understanding of these key framework elements – see Figure 1.

Table 2: Framework Alignment – Planet Tracker's climate transition assessment blueprint comparison to existing frameworks[3] (CDP used as benchmark).

CDP climate transition plan elements	ACT	ALCT	ACCR	CA100+	CBI	CSLN	GFANZ	ICAPs	ICMA	IIGCC	TCFD	TPI	PTCA	PT company transition framework elements
Metrics (Scope 1,2, 3 with verification)	Full	Full	Full	Partial	Full	Partial	Partial	Full	Full	Partial	Full	Partial	Full	Climate alignment
Targets	Full	Full	Full	Full	Full	Full	Partial	Full	Full	Full	Full	Full		
Value chain engagement	Full	Full	Partial	Partial	Partial	Full	Partial	Full	No	Full	Partial	Partial	Full	Policy governance
Policy	Full	No	Full	Full	No	Full	Full	Full	No	Full	No	Full		
Governance	Full	Partial	Full	Full	Full	Full	Partial	Full	Partial	Partial	Partial	Full		
Risks and opportunities	Full	Full	No	Full	Full	Full	Partial	Full	Partial	Partial	Full	Full	Full	Risk management
Scenario analysis	Full	Full	No	Full	Partial	Full	Partial	Full	Full	Full	Full	Full		
Strategy to Net Zero	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full	Partial	Full	Strategy assessment
Financial planning	Full	Full	Partial	Full	Full	Partial	Full	Full	Full	Full	Full	Full		

● Full alignment ● Partial alignment ○ No alignment

[3] The acronyms used stand for the following: ACT - Assessing low-Carbon Transition initiative; ALCT - Alliance for Corporate Transparency; ACCR - Australasian Centre for Corporate Responsibility; CA100+ - Climate Action 100+; CBI - Climate Bonds Initiative; CSLN - Climate Safe Lending Network; GFANZ - Glasgow Financial Alliance for Net Zero; ICAPs - Investor Climate Action Plans; ICMA - International Capital Market Association; IIGCC - Institutional Investors Group on Climate Change; TCFD - Task Force on Climate-Related Financial Disclosures; TPI - Transition Pathway Initiative; PTCA – Planet Tracker Climate Assessment.

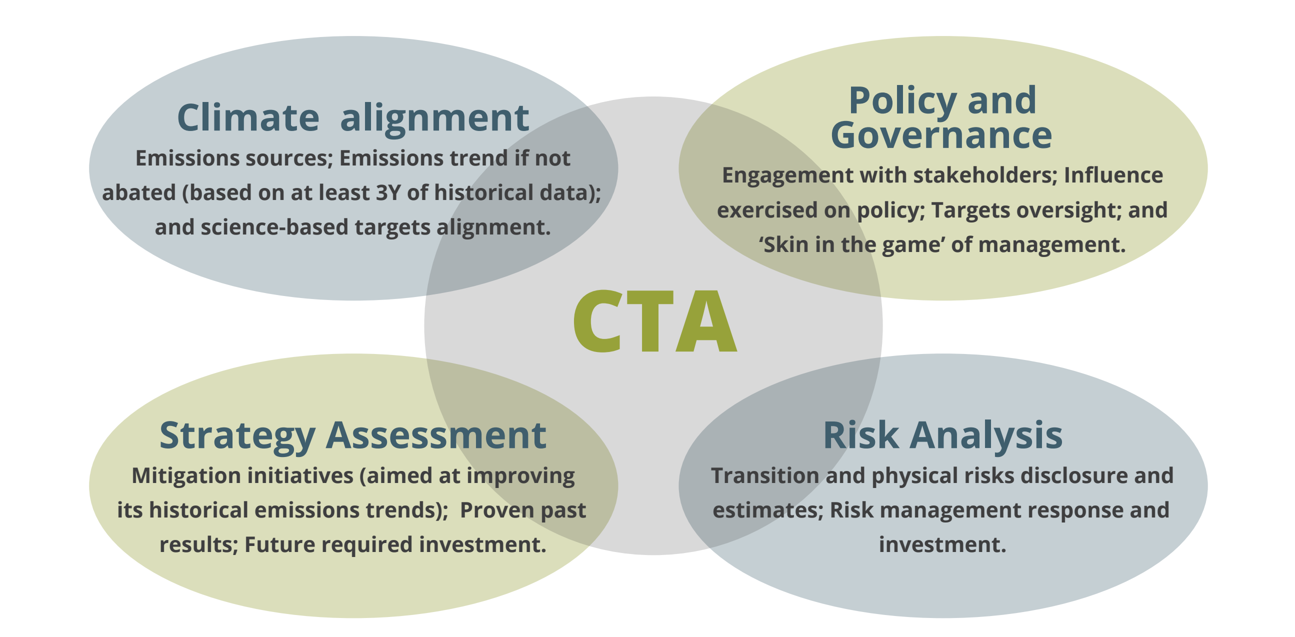


Figure 1: Companies' Analysis – Planet Tracker's climate transition assessment framework.

Evaluation criteria

In addition to adhering to widely recognised climate transition guidelines, Planet Tracker goes beyond traditional financial assessments by considering a company's performance and risk exposure within the broader context of climate and nature-related factors. Our assessment employs a dual framework that encompasses both qualitative and quantitative factors. By assigning a temperature range to the various initiatives disclosed by the company, supported by quantitative metrics, our objective is to determine the company's overall Temperature Alignment. For detailed information on the criteria used in our assessment framework for temperature alignment – see Table 3.

Table 3: Company Climate Transition Assessment Guidance for Temperature Alignment. Source: Planet Tracker's Transition Framework.

Section	KPI	Likely temperature band			
		1.5°C	2°C		3°C
Climate Alignment	Extrapolated Emissions Trend vs SBT Level	< 25% difference	> 25% difference	< 150% difference	> 150% difference
Policy & Governance	Quantified engagement with suppliers, customers and policy makers	Yes	No	Yes	No
	Oversight and Management compensation linked to Sustainability KPIs	Yes	Yes	No	No
Risk Analysis	Adequate Physiscal and Transition risk identification	Yes	No	Yes	No
	Adequate Physiscal and Transition risk management	Yes	Yes	No	No
Strategic Assessment	Mitigation investment to close the gap between extrapolated trends and SBT	Yes	No	Yes	No
	Net Zero Roadmap/Climate Transition Plan/ Alternative Sustainability Plan	Yes	Yes	No	No

Data cources and reliability

To assess the credibility of the Climate Transition plans implemented by these Food, Personal Care and Home Care Manufacturers, we extensively review company disclosures such as Annual Reports (covering at least the last three years), Compensation and Sustainability Reports, as well as their potential or approved Science-Based Targets (SBTs), CDP and TCFD responses. Moreover, we consider the alignment and impact suggested by reputable organisations including Influence Map and PRI through the Inevitable Policy Response (IPR).

Whenever possible, we engage directly with the companies to enhance our understanding of their statements. For a visual representation of our key data sources – see Figure 2.

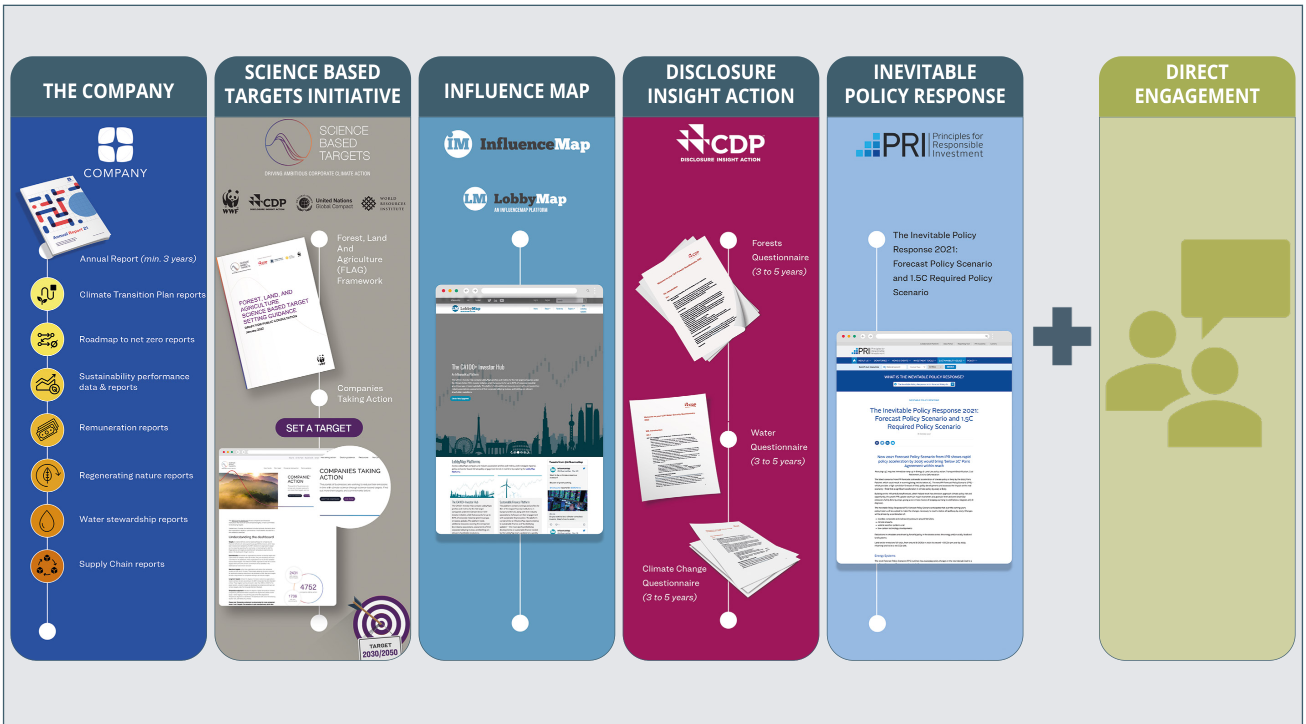


Figure 2: Company Climate Transition Assessment Key Data Sources.

Climate Transition: Comparative Analysis

Climate profile and ambition

Key highlights:

- The top Consumer Goods brands in the Food, Personal Care, and Home Care sectors , namely Unilever, Colgate-Palmolive and Procter & Gamble have significant emissions coming from downstream activities, particularly indirect use emissions.
- Indirect use emissions are challenging to calculate and influence due to the involvement of multiple actors (including consumers) and their inclusion in a company's reported Scope 3 emissions and mitigation targets is optional under the GhG Protocol and the Science-Based Targets initiative (SBTi), respectively.
- The exclusion of these emissions leads to a mitigation profile similar to pure Food and Beverage manufacturers, where upstream Scope 3 emissions represent the primary challenge in achieving a Climate Transition aligned with a 1.5°C pathway.
- The three featured companies have made limited progress in mitigating upstream Scope 3 emissions historically and have a wide variation in the type of approved Scope 3 targets.

By segmenting Consumer Goods companies based on their activities, we have gained valuable insights into their emissions profiles, enabling us to conduct a more precise assessment of their climate transition pathways. A particularity of the Food, Personal Care and Home Care manufacturers (Unilever, Colgate-Palmolive and Procter & Gamble) is having significant emissions originating from downstream activities, particularly indirect use emissions[4] – see Figure 3[5].

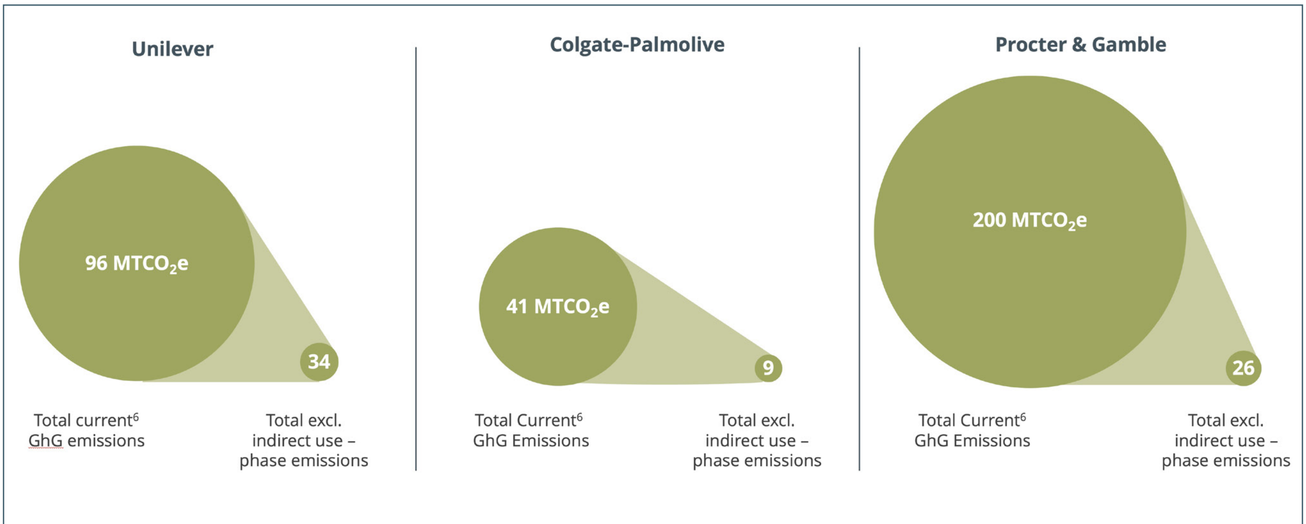


Figure 3: Total GhG emissions when indirect use emissions are included vs when they are excluded from the company's GhG budget. Source: Unilever 2022 Annual report; Colgate and Procter & Gamble 2022 CDP Climate Responses[6].

[4] Typically Scope 3 downstream emissions include: (1) Direct Consumption – covering emissions from direct consumer use such as HFC propellants; (2) Distribution – accounting for the emissions linked to downstream logistics; (3) Downstream Processing – standing mainly for emissions from retail freezers; (4) Disposal – including emissions from the 'End of Life of Sold Products'; and (5) Indirect consumption – often referred to as "indirect use" or "indirect use-phase" emissions 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., emissions from washing machines tied to energy consumption while using company's brands.

[5] Please be aware that we used in our research the level of emissions disclosed by the companies. However, to some extent, Colgate and Procter & Gamble are unclear regarding the specific methodology used to derive their Scope 3 emissions, especially regarding land use change emissions. And while their emissions are validated in line with the Greenhouse Gas Protocol it is worth acknowledging that at the time of our publication the 'GhG Protocol Land Sector and Removals Guidance' was still in the draft stage. Thus, it is possible that these companies' upstream Scope 3 contribution is larger than depicted.

[6] As per the data available at the time of our analysis "current" stands for the year 2021 for Colgate and P&G and 2022 for Unilever.

Given the magnitude of these emissions, companies are rightly exploring initiatives to mitigate them, such as promoting cooler temperatures for dishwashing or advocating for shorter dishwasher cycles. However, calculating and directly influencing indirect use emissions is challenging due to the involvement of multiple actors (including consumers, machinery manufacturers, and grid suppliers) affecting their trajectory. And while companies may argue for the inclusion of these emissions in their mitigation success, it is important to be mindful that the outcomes may not be solely attributed to their actions. Furthermore, in cases where these emissions fail to decrease, companies could potentially shift responsibility away from themselves, only highlighting the positive aspects of changes in indirect use emissions.

Consequently, under the GhG Protocol, indirect use emissions are an optional component of a company's reported Scope 3 emissions. Although the Science-Based Targets initiative (SBTi) encourages companies to consider them, it is also evident that they are not mandatory for a company's Scope 3 emissions and their inclusion extends beyond a company's Scope 3 mitigation targets[7]. As a result, when excluding these emissions from the companies' climate transition budgets, we encounter a mitigation emissions profile similar to that of pure Food and Beverage manufacturers[8], where upstream Scope 3 emissions represent the primary challenge in achieving a Climate Transition aligned with a 1.5°C pathway.

Nevertheless, at Planet Tracker, we maintain that companies should be held accountable for the downstream Scope 3 emissions they can directly influence, such as the use of HFC propellants in their products (i.e., direct consumption), downstream logistics and distribution, retail freezer conservation requirements, and product disposal requirements (e.g., plastics vs. cardboard). When examining the current emissions breakdown included in the Climate Transition plans of the three featured Food, Personal Care, and Home Care companies, we observe that only Unilever considers downstream Scope 3 emissions for which they have direct responsibility – Figure 4.

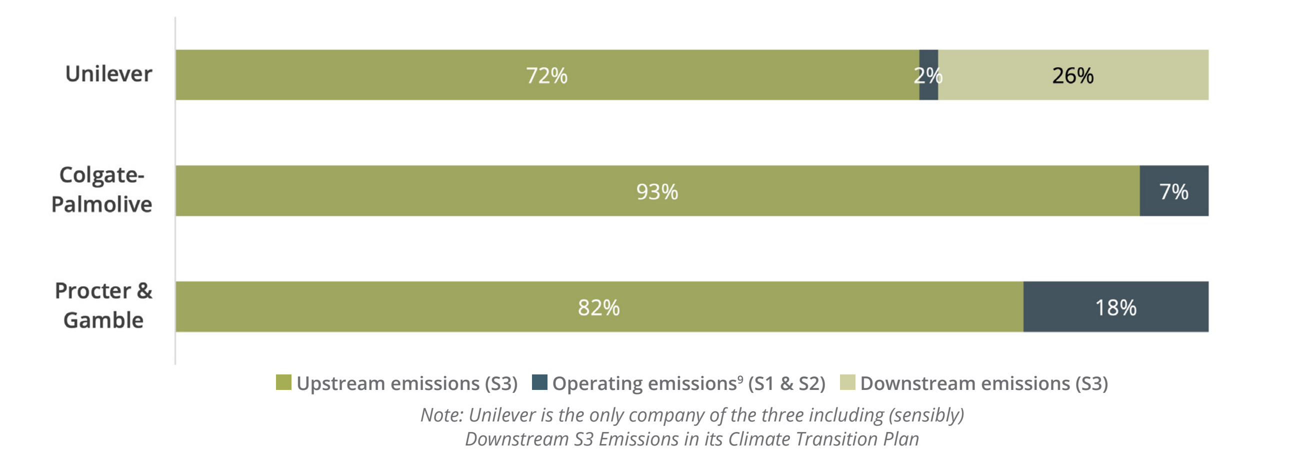


Figure 4: Current value chain GhG emissions – Percentage breakdown by scope. Source: Unilever 2022 Annual report; Colgate and Procter & Gamble 2022 CDP Climate Responses[6].

[7] Find more details here.

[8] For more details please refer to the climate transition assessment of Nestle, Danone or PepsiCo.

[9] Operating Emissions include Scope 1 and Scope 2 location-based emissions except for Unilever, where Scope 2 market-based emissions are considered due to available data.

Further details on the Climate Transition ambitions of these three companies are provided in Table 4, which presents the science-based targets approved by the SBTi. It is worth noting that these targets differ among companies in terms of baseline year, temperature alignment, and target type (intensity vs. absolute approach). Additionally, the approved targets may slightly deviate from those outlined in the companies' Climate Transition plans or strategies.

Table 4: Unilever, Colgate-Palmolive and Procter & Gamble Approved SBTs. Source: SBTi Target Dashboard.

Company	Approved SBTs		SBTs date (pub/ updated)	Ambition		
				Near term	Long term	Net Zero
Unilever	Absolute target	Reduce S1 & S2 GhG emissions by 100% by 2030 from 2015 base year	2017	1.5°C by 2030	–	Committed (no date)
	Intensity target	Reduce S3 GhG emissions by 50% per consumer use by 2030 from 2010 base year		Below 2°C by 2030		
Colgate-Palmolive	Absolute target	Reduce S1, S2 & S3 purchased goods GhG emissions by 42% by 2030 from 2020 base year	2022	1.5°C by 2030	1.5°C by 2040	Committed by 2040
	Intensity target	Reduce S1, S2 & S3 GhG emissions by 90% by 2040 from 2020 base year				
Procter & Gamble	Absolute target	Reduce S1 & S2 GhG emissions by 50% by 2030 from 2010 base year (achieved)	2022	Below 2°C by 2030	–	Committed (no date)
	Intensity target	Reduce S3 purchased goods and upstream transportation GhG emissions by 40% per unit of production and 50% per tonne-kilometre, by 2030 from 2020 base year.				

To address the challenge of comparability and align with the latest recommended SBTs, our individual Climate Transition assessments[10] calculate the SBTs of these companies from a common baseline (i.e., 2020) and converts them into absolute terms. Table 6 provides a snapshot of these targets.

Table 5: Unilever, Colgate-Palmolive and Procter & Gamble Updated Approved SBTs. Source: SBTi Target Dashboard and Planet Tracker's Calculations.

Company	Updated SBTs		Baseline year	Ambition
Unilever	Absolute target	Reduce S1 & S2 GhG emissions by 100% by 2030 from the base year	2020	1.5°C by 2030
		Reduce S3 GhG emissions by 36% by 2030 from the base year		
Colgate-Palmolive	Absolute target	Reduce S1, S2, & S3 purchased goods GhG emissions by 42% by 2030 from the base year	2020	1.5°C by 2030
Procter & Gamble	Absolute target	Reduce S1 & S2 GhG emissions by 42% by 2030 from the base year	2020	1.5°C by 2030
		Reduce S3 purchased goods and upstream transportation GhG emissions by 11% by 2030 from the base year		

Furthermore, to account for the companies' most recent progress, we have updated their targets to reflect the latest disclosed emissions levels, as shown in Table 6, facilitating a subsequent comparison of their alignment with SBTs.

[10] For more details please refer to the Unilever, Colgate, and Procter & Gamble individual reports.

Table 6: Unilever, Colgate-Palmolive and Procter & Gamble Updated Current SBTs. Source: SBTi Target Dashboard and Planet Tracker's Calculations.				
Company	**Updated SBTs**		**Current year**	**Ambition**
Unilever	Absolute target	Reduce S1 & S2 GhG emissions by 100% by 2030 from the current year	2022	1.5°C by 2030
		Reduce S3 GhG emissions by 33% by 2030 from the current year		
Colgate-Palmolive	Absolute target	Reduce S1 & S2 GhG emissions by 43% by 2030 from the current year	2021	1.5°C by 2030
		Reduce S3 Purchased Goods GhG emissions by 61% by 2030 from the current year		
Procter & Gamble	Absolute target	Reduce S1 & S2 GhG emissions by 41% by 2030 from the current year	2021	1.5°C by 2030
		Reduce S3 purchased goods and upstream transportation GhG emissions by 18% by 2030 from the current year		

It is noteworthy that these three companies have made limited progress in terms of emissions mitigation since 2020. In fact, Colgate's targets have increased significantly, with upstream Scope 3 emissions rising by 50% between 2020 and 2021[11].

In summary, while these three companies exhibit substantial emissions stemming from downstream Scope 3 activities, they are not obligated to mitigate them. Thus, the primary emissions source to address remains upstream Scope 3 emissions, similar to the case of Food and Beverage manufacturers. Although the companies' targets and ambitions currently vary, and we do not delve into the calculation and approval processes by the SBTi, we provide a like-for-like update to enable comparisons and determine the subsequent alignment between future emissions levels and the recommended SBT levels.

Climate alignment with science-based targets

Key highlights:

- A comparative analysis of Unilever, Colgate-Palmolive and Procter & Gamble projected GhG emissions levels by 2030 based on historical trends, reveals significant disparities between their emissions and the recommended levels set by the SBTi.
- The differences in emissions levels are primarily driven by the historical increasing upstream Scope 3 emissions, prompting the need for these companies to implement linked transition initiatives and strategies to bridge the gap between their emission trends and the SBTs' recommended levels.

Upon determining the GhG emissions budget incorporated in the Climate Transition plans of Unilever, Colgate-Palmolive and Procter & Gamble, as well as their targets based on the latest disclosed emissions level, we conducted a comparative analysis of their future emissions levels against the recommended level set by Science-Based Targets (SBTs), as depicted in Figure 7[12].

[11] Idem 8.

[12] Please be aware that, when possible, we updated the below 2°C targets to a 1.5°C alignment (i.e., Unilever's Scope 3 targets), and converted intensity targets into absolute targets (i.e., Unilever's and PG's Scope 3 targets) as shown in Table 5 compared to the original targets from Table 4.

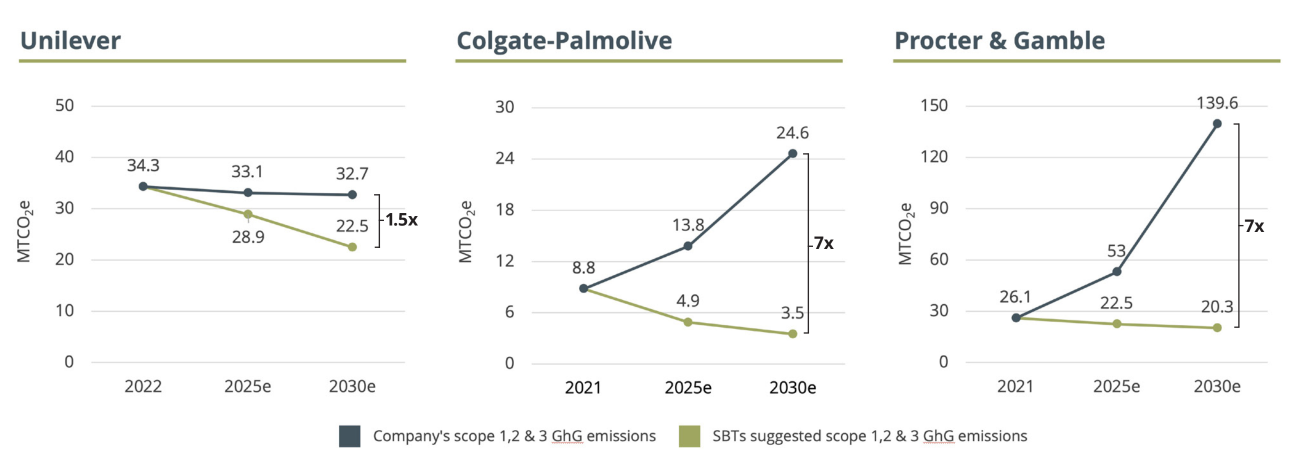


Figure 5: Comparison between companies' extrapolated emissions trends and the recommended emissions level by SBTs.

Figure 5 provides a clear representation of two aspects: the projected emissions level each company will reach by 2030 if historical emission trends remain unmitigated (i.e., no new initiatives implemented), and the level recommended by currently approved SBTs for the same time frame. It is evident that Unilever's historical trend would result in emissions 1.5 times higher than what its SBTs would recommend, while Colgate-Palmolive and Procter & Gamble exhibit a difference of a factor of seven. This significant disparity is primarily caused by the extrapolation of historically increasing upstream Scope 3 emissions. Over the past five years (2017-2021), Colgate-Palmolive and Procter & Gamble witnessed a 61% and 127% increase in upstream Scope 3 emissions, respectively. While we consider the historical emission trend and its alignment with the Paris Agreement, our Climate Transition assessment is forward-looking. Thus, subsequently we also account for companies' transition initiatives and strategies aimed at bridging the gap between emission trends and the recommended levels set by SBTs.

Engagement policy and governance

Key highlights:

- According to Planet Tracker Unilever, Colgate-Palmolive and Procter & Gamble's Climate Transition strategies should focus on addressing upstream Scope 3 emissions, with particular emphasis on engaging suppliers and policymakers.
- Unilever stands out with a comprehensive upstream engagement strategy, covering the highest percentage of suppliers and incorporating Land Use Policies.
- Unilever's remuneration links 25% of its Performance Share Plan to sustainability as measured by its Sustainability Progress Index, and they are the only company of the three explicitly outlining the connection between management compensation and climate transition targets.

The Climate Transition of Unilever, Colgate-Palmolive and Procter & Gamble primarily hinges on addressing upstream Scope 3 emissions. Thus, our individual reports place particular emphasis on companies' engagement with suppliers and policymakers to assess their willingness to close the gap between historical emission trends and the levels recommended by SBTs. Table 7 provides a snapshot of their upstream engagement strategies, with Unilever demonstrating the most comprehensive approach and covering the highest percentage of suppliers. Additionally, it is noteworthy that only Unilever and Procter & Gamble include Land Use Policies in their upstream engagement efforts.

Table 7: Upstream Engagement Type and Size. Source: Unilever, Colgate-Palmolive and Procter & Gamble 2022 Climate CDP Responses & Supplier Policies Disclosures.

Company	Engagement type & key initiative		Suppliers by number	Supplier by procurement expenditure
Unilever	Changing supplier behaviour	Suppliers must adhere to the mandatory principles of the Responsible Partner Policy (RPP) – published in 2022	68%	83%
Colgate-Palmolive	Changing supplier behaviour	Suppliers are encouraged 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	5%	56%
Procter & Gamble	Changing supplier behaviour	The Forest Commodity Policy requires Procter & Gamble's direct suppliers to commit to 'no deforestation' – released May 2023	5%	54%

Furthermore, all three companies have Board oversight of sustainability issues and to some extent link executive pay to emissions reductions. However, Unilever stands out with its robust approach, where 25% of its Performance Share Plan is tied to sustainability as measured by its Sustainability Progress Index. Moreover, Unilever is the only company that clearly outlines the connection between upper management remuneration and climate transition targets. For further details, please refer to the individual climate transition assessments of Unilever, Colgate-Palmolive, and Procter & Gamble.

Risk management and capital alignment

Key highlights:

- Unilever, Colgate-Palmolive and Procter & Gamble all acknowledge two critical material risks related to Climate Transition: evolving regulatory landscape and exposure to climate/weather patterns with water scarcity and extreme temperatures.
- Among the three companies, only Unilever provides a quantified scenario analysis, revealing potential cost increases due to Carbon Pricing Mechanisms (CPMs).
- Planet Tracker estimates significant cost increases for all three companies regarding upstream Scope 3 emissions, highlighting the need for transparent correlation between investment, mitigation actions, and GHG emissions for effective climate commitments and risk management.

All three companies, Unilever, Colgate-Palmolive and Procter & Gamble, acknowledge two critical areas of material risk related to Climate Transition. Firstly, they recognise the evolving regulatory landscape associated with Climate Transition, and secondly, they acknowledge the exposure to climate and weather patterns characterized by high variability, leading to water scarcity and extreme temperatures. However, only Unilever provides a quantified scenario analysis, specifically highlighting the potential increase in costs resulting from Carbon Pricing Mechanisms (CPMs). Nonetheless, at Planet Tracker, we have calculated the potential impact on costs for all three companies.

Regarding upstream Scope 3 emissions, if the current emission trends are not further mitigated, Planet Tracker estimates that by 2030, Unilever could face annual costs increase of USD 1.5 billion, Colgate-Palmolive of USD 1.1 billion, and Procter & Gamble of up to USD 6.7 billion. For a comprehensive understanding of our calculations and underlying assumptions, please refer to Table 8.

Table 8: Potential Financial Impacts of Expected CPM Applied to Unilever's, Colgate's, and Procter & Gamble's Scope 3 mitigation budget[13]. Source: Unilever, Colgate-Palmolive and Procter & Gamble 2022 Climate CDP Responses, Annual reports and the Inevitable Policy Response pricing for 2030 CPMs.

Company	Implied cost per TCO_2e by 2030 (USD)	Scope 3 emissions level to mitigate by 2030 (TCO_2e)	Absorption ratio	Potential financial impact (USD)	% hisoric annual operating income[13]
Unilever	58	32.4 million	80%	1.5 billion	14%
Colgate-Palmolive	57	24.1 million	80%	1.1 billion	30%
Procter & Gamble	62	135.3 million	80%	6.7 billion	51%

Comparing these potential cost increases with the historical annual average operating income of the three companies, as disclosed in our previous individual climate transition assessments, we observe that these increases would account for 14% of Unilever's historic annual operating income, 30% for Colgate-Palmolive, and 51% for Procter & Gamble. Despite the significant potential impact these cost increases might have on the companies, only Unilever discloses a partial investment in upstream climate mitigation and corresponding risk management.

In more detail, Unilever's Climate and Nature Fund intends to invest USD 1.2 billion to promote initiatives such as reforestation, landscape restoration, and other nature-based solutions. On the other hand, while Colgate-Palmolive allocates a minimum of 5% of its capital expenditure budget towards projects that promote climate, energy, water, and waste-related initiatives, the company's largest emissions source (i.e., upstream Scope 3 activities) is not explicitly mentioned in Colgate-Palmolive's investment plan. Similarly, Procter & Gamble discloses its collaboration with The Alliance to End Plastic Waste and the Circulate Capital Ocean Fund. However, the company has not disclosed any investment information regarding these funds, or any other funds specifically related to emissions mitigation.

In short, without a disclosed correlation between investment, mitigation actions per scope, and anticipated mitigated GhG emissions amount, it cannot be inferred if these companies' climate commitments and risk management initiatives are supported by the required capital.

[13] Historic annual operating income refers to the annual average of the operating income of Unilever from 2020 to 2022 (i.e., 3 years) and Colgate's and PG's from 2017 to 2021 (i.e., 5 years).

Outcomes and Recommendations

Overall transition credibility

Key highlights:

- The assessment of Unilever, Colgate-Palmolive and Procter & Gamble's climate profiles, ambitions and comparison with updated SBTs reveals their respective Climate Transition outcomes, with Unilever showing the most commendable initiatives of the three.
- Colgate-Palmolive and Procter & Gamble demonstrated limited emphasis on upstream Scope 3 mitigation initiatives, by providing limited information on Scope 3 mitigation efforts and investments.

Based on our assessment of these companies' climate profiles, ambitions, and their comparison with updated SBTs if no further mitigation is undertaken, we have generated a comprehensive overview of the Climate Transition outcomes for each company. To do so, we also took into account their disclosed investments in mitigation initiatives. A quantitative summary of our research is presented in Table 9, which includes a Temperature Alignment through a climate sensitivity estimate derived from comparing projected emissions and recommended emissions with the global CO_2e remaining budget by 2030[14].

Table 9: Unilever, Colgate-Palmolive and Procter & Gamble Climate Transition Assessment Quantitative Summary. Source: Unilever, Colgate-Palmolive and Procter & Gamble 2022 Climate CDP Responses, Annual reports and Planet Tracker's Calculations[15,16]

Variables	Unilever	Colgate-Palmolive	Procter & Gamble
Current[15] Operating Emissions[16] (S1 & S2)	2%	7%	18%
Current[15] Value Chain Emissions (S3)	98%	93%	82%
Total Current[15] $MTCO_2$e emissions	34.3	8.8	26.1
SBT Suggested $MTCO_2$e emissions	22.5	3.5	20.3
Total Expected $MTCO_2$e emissions by 2030	32.7	24.6	139.6
Target overshoot (undershoot) after investment	45%	600%	587%
Total Climate Mitigation Investment (USD)	1.2 billion	???	???
Temperature Alignment (°C)	**1.7**	**3.9**	**3.8**

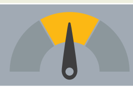
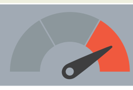
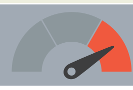
In summary, Unilever's current transition plan incorporates commendable initiatives aimed at reducing environmental impact. However, the limited linkage between the company's climate mitigation strategies and its disclosed investments detracts from its alignment with the Paris Agreement. Colgate-Palmolive demonstrates limited emphasis on upstream Scope 3 mitigation initiatives, and similar to Unilever, lacks the necessary linkage between climate mitigation strategies and disclosed investments. Likewise, Procter & Gamble's transition plan outlines various initiatives but provides limited information on Scope 3 mitigation efforts and the requisite investments. A snapshot of these companies' performance across all four key elements of the climate transition assessment framework proposed by Planet Tracker is illustrated in Table 10

[14] As stated by IPCC (p.95) – 'Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development'.

[15] As per the data available at the time of our analysis "current" stands for the year 2021 for Colgate and P&G and 2022 for Unilever

[16] Operating Emissions include Scope 1 and Scope 2 location-based emissions except for Unilever, where Scope 2 market-based emissions are considered due to available data.

Table 10: Unilever, Colgate-Palmolive and Procter & Gamble Overall Climate Transition Assessment.
Source: Unilever, Colgate-Palmolive and Procter & Gamble 2022 Climate CDP Responses and Annual reports.

Transition Element	Unilever	Colgate-Palmolive	Procter & Gamble
Climate Alignment			
Policy & Governance			
Risk Analysis			
Strategic Assessment			
Overall Transition			


Aligned with 1.5ºC


Aligned with +2ºC


Aligned with BAU +3ºC

Proposed improvement areas

Key highlights:

- Unilever stands as the most progressive consumer goods firm in terms of climate transition plans, although some gaps remain when compared to ideal practices.
- Urgent action and increased transparency are essential for all three companies, especially in Scope 3 accounting and mitigation, with a specific focus on upstream activities, along with addressing potential financial impacts and enhancing risk management capabilities.
- Alignment of capital expenditure plans with emissions reduction targets and climate adaptation needs is crucial for effective decarbonisation and climate resilience.

This comparative research note highlights that as stated in the key highlights above, Unilever currently possesses the most progressive transition plan among these leading consumer goods firms. However, significant gaps persist even for the frontrunner when compared to ideal practices.

Urgent action and increased transparency are required from all three companies, particularly in Scope 3 accounting and mitigation, with a specific focus on upstream activities. Additionally, they need to address potential financial impacts and enhance risk management capabilities. Most importantly, alignment of capital expenditure plans with emissions reduction targets and climate adaptation needs is crucial[17].

[17] More details on the importance of disclosing mitigation capital expenditure can be found here.

To effectively decarbonise and enhance climate resilience, Planet Tracker recommends the following five steps for these companies:

1. Set 1.5°C-aligned science-based emissions reduction targets encompassing Scopes 1, 2, and 3 – at the moment only Colgate-Palmolive has approved SBTs aligned with 1.5°C for all three scopes.
2. Disclose specific reduction plans and investments to mitigate Scope 3 emissions, especially upstream – presently Unilever is the only company of the three partially disclosing investment in Scope 3 mitigation actions.
3. Quantify and disclose financial risks under various climate scenarios, including impacts on the supply chain – at the moment Unilever is the only one already disclosing these.
4. Align capital expenditure plans with emissions reduction targets and climate adaptation requirements – Colgate-Palmolive and Unilever disclosed to some degree capex linked mitigation, but serious gaps remain.
5. Provide annual reporting on progress towards targets, expenditure, and contingency/alternative plans in the event that targets are not achieved within the proposed timeframe – none of the three companies disclosed contingency plans.

Call to action

Planet Tracker emphasises the importance of stakeholders actively engaging with the management teams of Unilever, Colgate-Palmolive and Procter & Gamble. This includes expressing concerns, seeking transparency, and encouraging comprehensive disclosure of their climate transition plans. Discussions should cover Scope 3 emissions, investment strategies, financial risks, and progress reporting.

To assist investors and lenders in assessing the credibility of companies' climate transition plans, Planet Tracker recently published a blog featuring a disclosure assessment template[18]. This includes a downloadable Net Zero Transition Plan Disclosure Guidance Template tailored for consumer goods companies. By using this tool, companies demonstrate transparency and receptiveness to feedback during their transition journey, simplifying the process for external parties like us who would otherwise have to sift through numerous lengthy reports and sustainability disclosures[19].

Moreover, investors can play a crucial role in influencing industry standards and best practices. By collaborating with policymakers, industry associations, and advocacy groups, investors can advocate for more robust climate policies, disclosure frameworks, and targets that align with the Paris Agreement. Taking these recommended steps will enable investors to actively contribute to driving positive change and accelerating the transition of these companies towards a more sustainable and climate-aligned future.

[18] Full version here.

[19] We tend to review over 20 documents of 100+ pages per company climate transition assessment.

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