



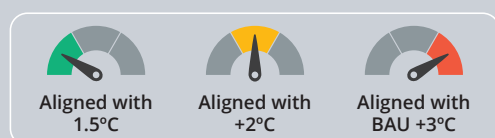
## Overall Assessment

**Planet Tracker: Unilever is expected to align with a 2°C warming scenario by 2030.**

Unilever is set to align with a 2°C pathway by 2030, based on its Scope 3 emissions projections. If the company does not mitigate further its upstream Scope 3 emissions, these emissions will be the main cause for the difference between the total GhG emissions specified by Science Based Targets (SBTs) and Planet Tracker's projected trend.

While Unilever's supplier, customers and policymaker engagement strategies are commendable, and it comes with a dependable and robust risk and opportunity identification process, the company does not provide quantified metrics for mitigating or managing these identified risks and opportunities.

The company's Climate Transition Action Plan (CTAP) encompasses significant initiatives to mitigate its environmental impact, but without the required investment, Unilever's extrapolated trend of emissions will surpass its recommended SBTs emissions level, putting the company's trajectory in line with a 2°C warming scenario by 2030.



This report is the fifth 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

- By 2030, Unilever's total Scope 3 activities are expected to contribute to close to 100% of the company's emissions, with around 57% coming from Downstream activities and 43% from Upstream activities.
- If Unilever does not mitigate its Upstream Scope 3 emissions, they will be twice the recommended SBTs level, leading to a 45% difference between the total GhG emissions prescribed by SBTs and the projected trend by Planet Tracker.



## Policy and Governance

- Unilever has a commendable suppliers and customers engagement strategy, which not only raises awareness but also offers tools and solutions. Additionally, the company supports various land-use policies and regulations, such as the EU Sustainable Food Systems Legislation.
- Also, the company has a defined mid- to long-term management remuneration system linked to sustainability Key Performance Indicators (KPIs).



## Risk Analysis

- Over the next decade, according to Planet Tracker's assessment, Unilever's potential financial impact from climate-related risks is expected to be at least 42% of the company's current three-year average annual operating profit, with decarbonisation external Policy Drivers accounting for up to 36% of the total impact.
- While Unilever's process for identifying risks and opportunities is dependable and robust, and includes the use of different scenarios and disclosing underlying assumptions, the company does not provide quantified metrics for mitigating or managing the identified risks and opportunities.



## Strategy Assessment

- Unilever has a contemporary CTAP that encompasses substantial initiatives aimed at mitigating the company's environmental impact. Yet, the linkage between the company's climate mitigation strategies and the disclosed investment necessary to sustain these ambitions remains limited.
- Given that Unilever's extrapolated trend of emissions will exceed its recommended SBTs emissions level, without the required investment the company's trajectory would align with a 2°C warming scenario by 2030 when only 'mandatory' Scope 3 emissions are considered.

## Company Overview

Unilever PLC (ULVR:LN), a UK-based consumer goods multinational corporation, operates through five main business segments: 'Beauty and Wellbeing', 'Personal Care', 'Home Care', 'Nutrition' and 'Ice Cream'<sup>1</sup>. Over the past three years (2019–2022), the company recorded an average total revenue of USD 62 billion<sup>2</sup> and an average total operating profit

of USD 10.5 billion, with a resulting average gross profit margin of 17%. As for Unilever's top income segments, Nutrition took the lead with a three-year average revenue of 24% and operating profit of 31% of the total, followed closely by Personal Care with 23% and 26% respectively – see Figure 1.

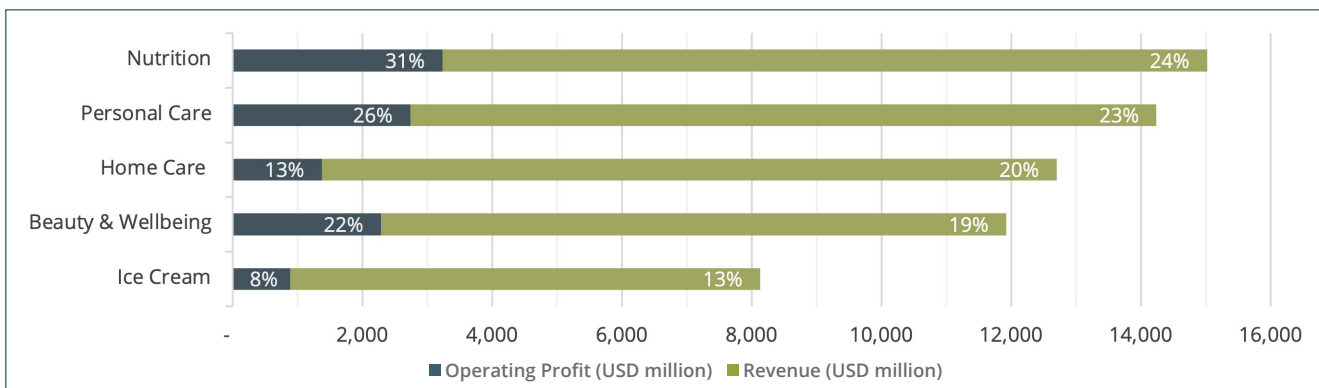


Figure 1: Operating Profit and Revenue – Breakdown by Business Segments (3Y Avg.). Source: Unilever Annual Reports 2020–2022.

Over the same period, the Asia, Pacific and Africa (APA) regions emerged as the main contributor to the company's performance, accounting for 46% of revenue, followed by the Americas<sup>3</sup> at 33% and Europe at 21%. More specifically, the **United States, India and China were identified as the company's top three**

**revenue-generating countries, accounting for 36% of the total average revenue** of USD 62 billion. If we include the company's domicile, the United Kingdom, these four countries accounted for 41% of Unilever's revenue – see Figure 2<sup>4</sup>.

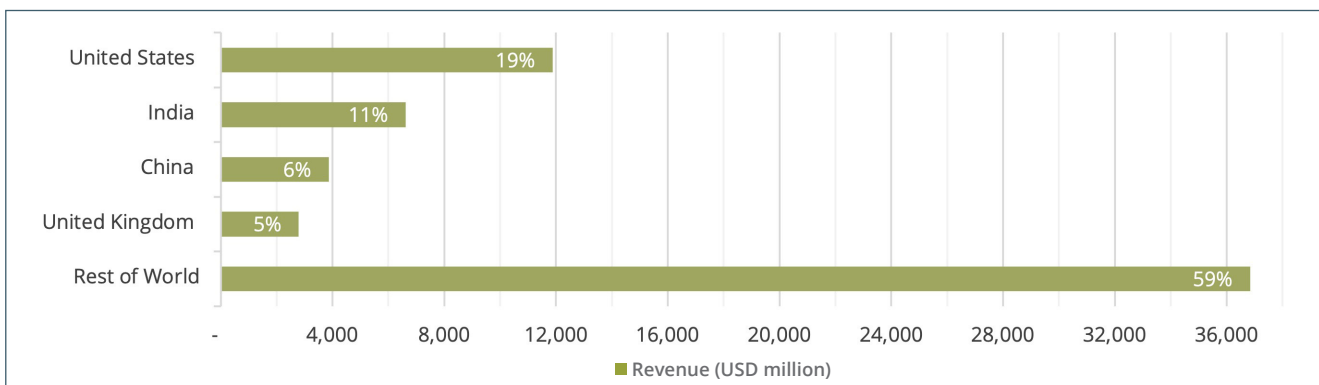


Figure 2: Revenue – Breakdown by Geography (3Y Avg.). Source: Unilever Annual Reports 2020–2022.

<sup>1</sup> This new business breakdown was officially incorporated in July 2022.

<sup>2</sup> This calculation considered the exchange rate EUR:USD at year's end for each year.

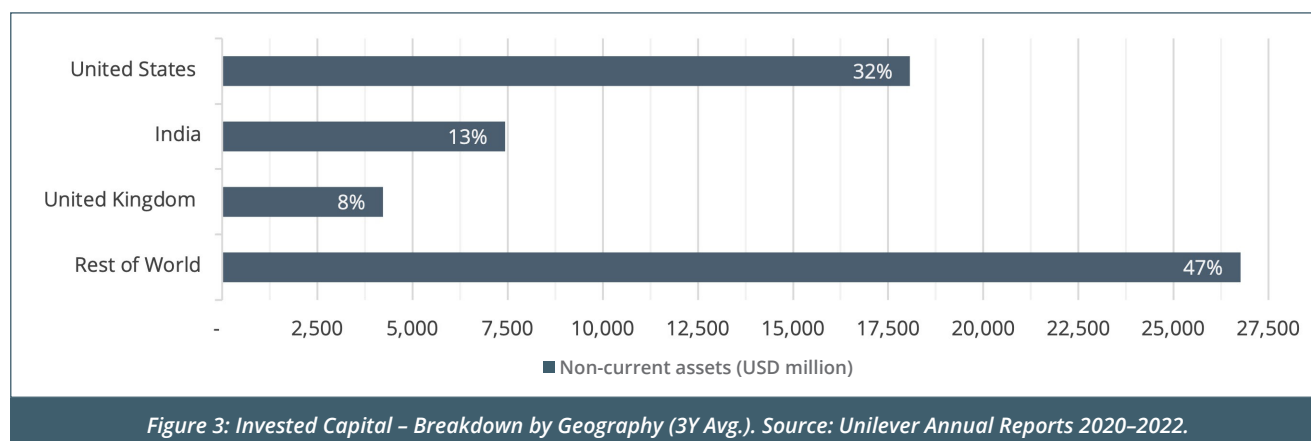
<sup>3</sup> Refers to North America with a 3Y average of 21% of the total revenue and Latin America with 12% of the total revenue (over the same period).

<sup>4</sup> Starting with the 2022 Annual Report Unilever announced that profit information by geography will no longer be published.



Similarly, with regard to non-current assets<sup>5</sup>, the top three countries represented over half of the total

from 2020 to 2022, with the United States taking the lead at 32% – see Figure 3.



Furthermore, Unilever’s exposure to several key natural commodities, which are essential to its product development, is presented in Table 1. The company has also disclosed the approximate revenue dependence on these commodities, which can be seen in Table 2. In terms of the origin of these commodities, Unilever

has provided country volume data for timber, palm oil, cocoa and soy, as demonstrated in Table 3. Notably, these tables were created using CDP disclosures which lag the financial disclosures by one year. Thus, Unilever’s current dependencies might slightly vary.

Table 1: Key Natural Commodities Usage. Source: Unilever’s Climate and Water CDP Reports 2022.

Commodity	Usage
Timber Products	Packaging: Beauty & Wellbeing, Personal Care, Home Care, Nutrition, Ice Cream
Palm Oil	Key Ingredient
Soy	Key Ingredient
Cocoa	Key Ingredient: Ice Cream <sup>6</sup>
Wheat	Key Ingredient
Tea	Key Ingredient: Tea <sup>7</sup>

<sup>5</sup> Non-current assets include goodwill, intangible assets, property, plant and equipment and other non-current assets. Goodwill is attributed to countries where the acquired business operated at the time of acquisition; all other assets are attributed to the countries where they were acquired.

<sup>6</sup> From 2019 to 2021, Unilever’s Ice Cream segment accounted for an annual average of 13% of the company’s total revenue.

<sup>7</sup> From 2019 to 2021, Unilever’s Tea segment accounted for an annual average of 6% of the company’s total revenue. However, it is of note that by July 2022 Unilever divested part of its tea business. Source: [Unilever completes the sale of its Tea business, ekaterra | Unilever](#).



Table 2: Percentage of Revenue Dependent on Natural Commodities<sup>8</sup>. Source: Unilever's Forests and Water CDP Reports 2022.

	2019	2020	2021
Timber Products	>80%	>80%	>80%
Palm Oil	51-60%	51-60%	51-60%
Soy	10-20%	10-20%	6-10%
Wheat	<10%	<10%	10-20%
Cocoa	<10%	<10%	6-10%
Tea	10-20%	<10%	5% <sup>9</sup>

Table 3: Natural Commodities Sourcing Origin and Volume 2021. Source: Unilever's Forests CDP Report 2022.

	Timber Products	Palm Oil	Cocoa	Soy
Argentina	2%			2%
Bolivia				2%
Brazil	8%			18%
Colombia		4%		
Cote d'Ivoire			90%	
India	10%			
Indonesia	12%	65%	5%	
Malaysia		26%		
Mexico	3%			
Philippines	2%			
Papua New Guinea		1%		
Thailand	5%	2%		
Viet Nam	4%			
Other	53%	2%	5%	78%

<sup>8</sup> The percentage of revenue dependent on each commodity is an approximation based on the annual turnover of Unilever's business categories. It is not based on actual product-specific data, rather each commodity is assessed based on revenue per category and an estimation (%) of brands within that category that use said commodity.

<sup>9</sup> It is unclear if the tea revenue dependency percentage disclosed in Unilever's 2022 CDP answers (for the financial year 2021) accounts for the company's tea divestment completed in July 2022: [Unilever completes the sale of its Tea business, ekaterra | Unilever](#).



Based on this information, it can be inferred that **Unilever's revenue in the three-year period from 2019 to 2021 was 43% indirectly linked to Indonesia, with 33% attributed to palm oil and 10% to timber products sourcing. Furthermore, at least 14% of the revenue in 2021 was tied to palm oil sourcing in Malaysia, 8% to timber products in India, and 8% to both timber products and soy in Brazil. Additionally, at least 5% of the revenue in 2021 was indirectly linked to cocoa sourcing in Cote d'Ivoire.**

However, it is of note that the CDP Forest Report only collects data on countries known to have moderate to high deforestation risks, and therefore, the dependency on natural commodities assessed in this section is skewed towards commodities linked to or from areas with deforestation risk<sup>10</sup>.

Planet Tracker also identified that the majority of Unilever's wheat volume in 2021 was sourced from the United States, Germany, Pakistan, South Africa,

the United Kingdom, and Mexico, as indicated in the company's 2022 Water CDP report. The report also revealed that the majority of Unilever's tea supply in 2021 was sourced from India, Kenya, Turkey, Argentina, and Indonesia.

However, Unilever confirms that after its tea divestment was completed in July 2022, the remaining tea footprint is in India, Sri Lanka and Indonesia. This highlights further Unilever's supply reliance on the United States, India, and Indonesia.

In conclusion, although with some limitations, **Unilever's dependence on the United States, India, and Indonesia can be inferred from its geographic source of revenue, location of invested capital, and location of key suppliers. Therefore, the company is exposed to the climate risks and related policies of these countries, as well as the reputational risk of the supplier's geographic location.**

<sup>10</sup> According to Unilever representatives this assessment does not include ingredients such as dairy, sunflower and rape oils, sugar, corn, or vegetables, nor a wide range of organic and inorganic chemicals and packaging materials including plastics and glass.



## Climate Alignment

### EMISSIONS INVENTORY

According to Unilever's 2022 Annual Report, between 2020 and 2022 the company recorded an average of 97,297 KTCO<sub>2</sub>e of greenhouse gas (GhG) emissions<sup>11</sup> throughout its value chain, with a minimum of 91,850 KTCO<sub>2</sub>e in 2022 and a peak of 101,430 KTCO<sub>2</sub>e in 2020.

Slightly over 0.5% of the total emissions in 2022 were

from Scope 1, 0.1% from market-based Scope 2<sup>12</sup>, and the majority, over 99% were from Scope 3.

Of the Scope 3 emissions, 27% were from upstream activities<sup>13</sup> and over 72% were from downstream activities<sup>14</sup>, with the top three sources being 'Indirect Consumption' (63%), 'Purchased Goods' (22%) and 'Upstream Processing' (5%) – see Figure 4<sup>15</sup>.

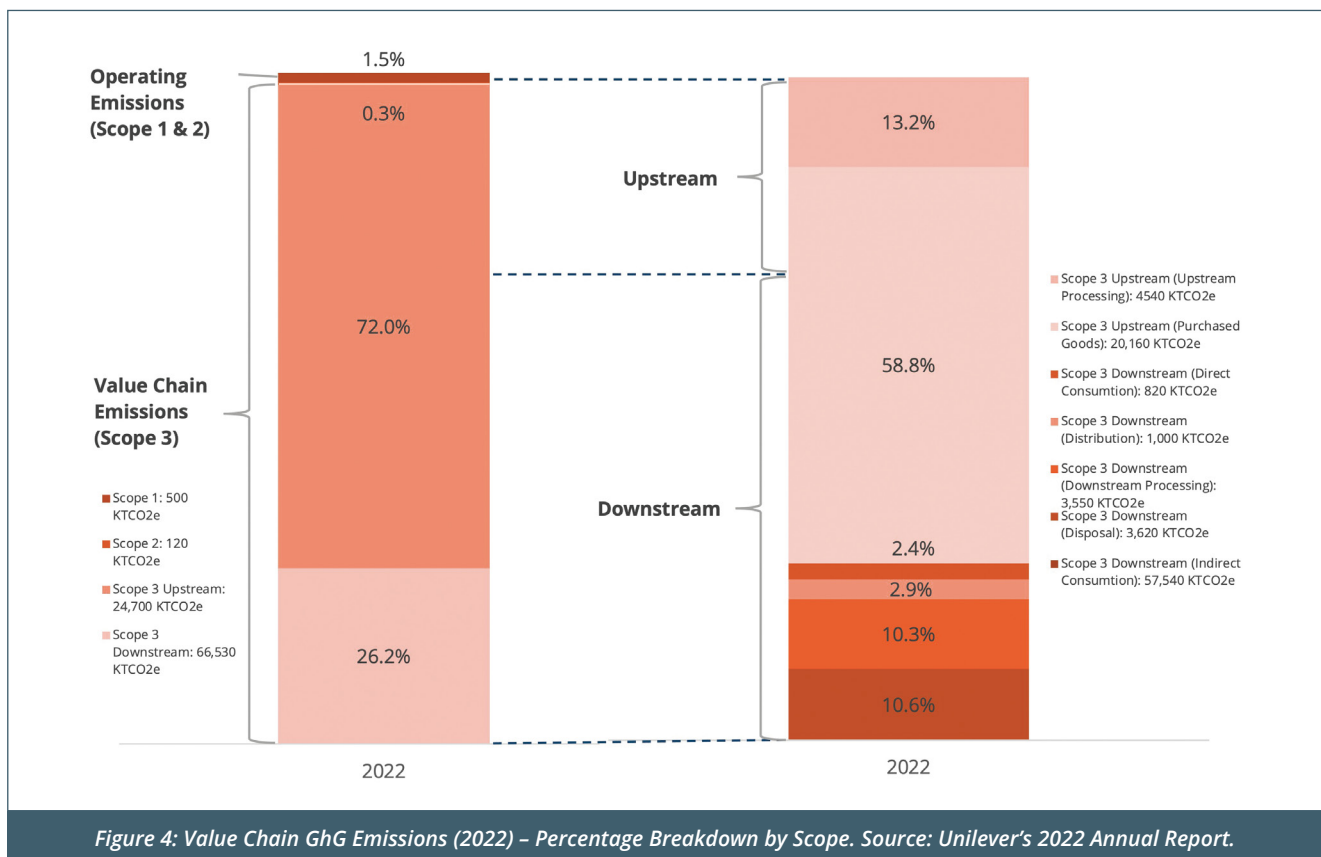


Figure 4: Value Chain GhG Emissions (2022) – Percentage Breakdown by Scope. Source: Unilever's 2022 Annual Report.

<sup>11</sup> Unilever disclosed its GhG emissions in million tonnes of CO<sub>2</sub>e. However, for ease of comparison between companies Planet Tracker converted those to KTCO<sub>2</sub>e.

<sup>12</sup> For comparison purposes among companies, we prefer to consider Scope 2 location-based emissions, however, location-based emissions data is not available for the year 2022 in the company's annual report.

<sup>13</sup> Scope 3 upstream emissions include: (1) Purchased Goods – accounting for the emissions from raw materials and ingredients; (2) Upstream Processing – including the emissions from packaging materials.

<sup>14</sup> 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 ice cream freezers; (4) Disposal – including emissions from the 'End of Life of Sold Products'; (5) Indirect consumption – covering emissions from the 'Use of sold products' which stands for emissions from complementary products and services used together with Unilever's products – e.g., emissions from washing machines tied to energy consumption while using Unilever brands.

<sup>15</sup> When considering indirect consumption emission, Unilever's profile differs from that of its counterparts such as Nestlé, Danone and PepsiCo, where the majority of emissions are associated with purchased goods. Rather its profile is more aligned with that of Coca-Cola, where emissions are primarily attributed to downstream activities such as cooling and fountain equipment.

## EXTERNALITIES TRENDS AND TARGETS

In the last three years (2020–2022), Unilever’s GhG emissions decreased at an average annual rate of 4.8%, with a total decrease of 17% in Scope 1

emissions, –45% in market-based Scope 2 emissions, –13% in downstream Scope 3 emissions, but an increase of 4% in upstream Scope 3 emissions – for the aggregate absolute decrease, see Figure 5.

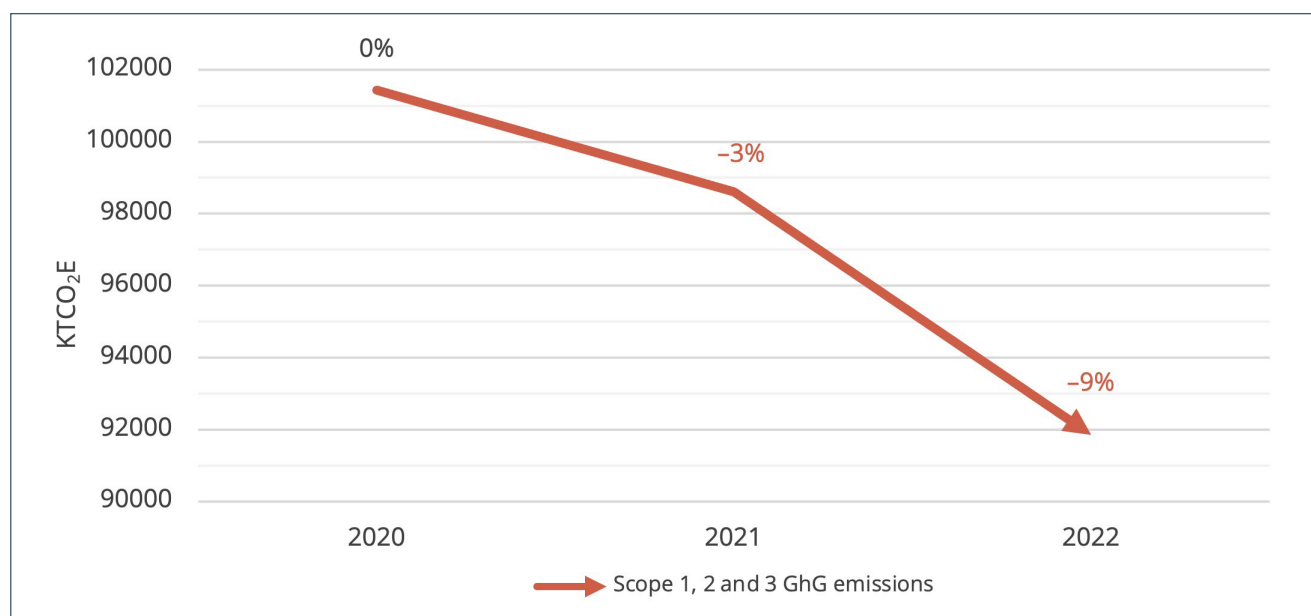


Figure 5: CO<sub>2</sub>e Evolution in the last three years. Source: Unilever’s 2022 Annual Report and Planet Tracker Calculations.

It is worth noting that during this time, Unilever’s revenue increased at a compound annual growth rate of 2%<sup>16</sup>. This growth is close to the company long-term organic revenue increase ambitions<sup>17</sup>. Therefore, by projecting the company’s historical trend of emissions into the future we would take into account by default the company’s potential economic growth. Since this three-year interval also includes the recent COVID-19 pandemic, the extrapolation would also take into consideration by default the temporary economic downturns.

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 three years is utilised.

Accordingly, **Scope 1 emissions are projected to decrease at a rate close to 9% per year, while Scope 2 market-based emissions are projected to decrease at a rate of 26% per year. Upstream Scope 3 emissions are expected to increase by almost 2% per year, while downstream Scope 3 emissions are expected to decrease by approximately 7% per year.**

Extrapolating these trends into the future, **Scope 1 and 2 are projected to reach 241 KTCO<sub>2</sub>e and 11 KTCO<sub>2</sub>e by 2030, respectively.**

Meanwhile, **upstream Scope 3 emissions are expected to stand at 28,414 KTCO<sub>2</sub>e by 2030, while downstream Scope 3 emissions are expected to reach 37,545 KTCO<sub>2</sub>e by 2030.**

<sup>16</sup> in USD terms.

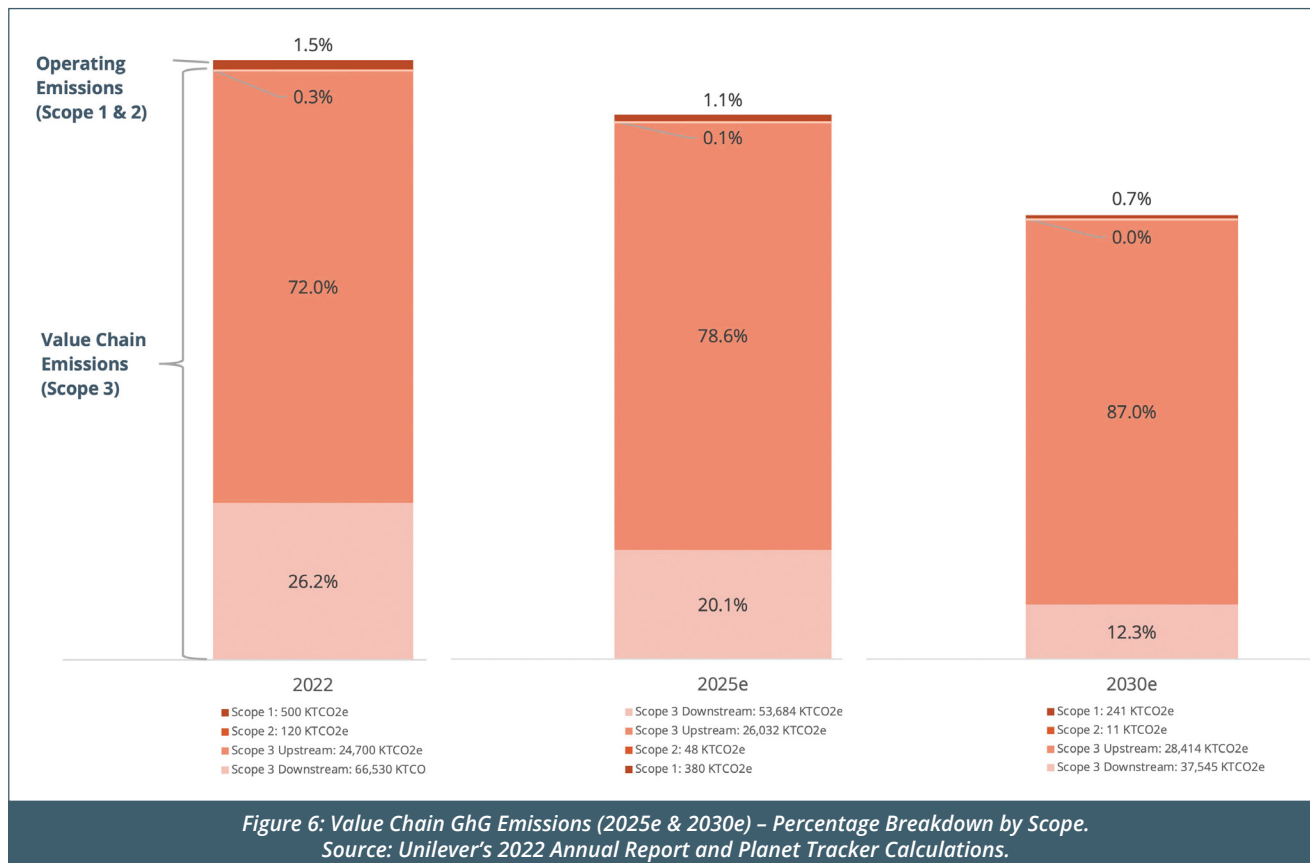
<sup>17</sup> Unilever has a multi-year target of generating underlying sales growth of between 3% and 5% – more details [here](#).





Overall, the extrapolated emissions by 2030 are estimated to be 66,210 KTCO<sub>2</sub>e, with 0.4% belonging to Scope 1 activities, close to 0% to market-based

Scope 2, almost 43% to Scope 3 upstream, and almost 57% to Scope 3 downstream – see Figure 6.



In 2021, Unilever published its Climate Transition Action Plan (CTAP), outlining its climate strategy and emission reduction targets. Specifically, **the company aims to reduce its Scope 1 and 2 emissions by 100% in absolute terms by 2030, with an interim goal of achieving a 70% reduction by 2025, both against a 2015 baseline.**

These targets are science-based and consistent with the 1.5°C pathway of the Paris Agreement, according to the SBTi. In terms of Scope 3 emissions, **Unilever has committed to reducing the full value chain emissions of its products on a per-consumer use**

**basis by 50% by 2030, compared to a 2010 baseline.**

However, the company points out that according to the SBTi, these last targets are consistent with a 2°C pathway by 2030. Notably, if Unilever seeks target revalidation, they will need to set a 1.5°C target as the SBTi no longer accepts new submissions of 2°C targets<sup>18</sup>.

To assess Unilever's trends against SBTs aligned with a 1.5°C pathway by 2030, Planet Tracker calculated the company's SBT emissions recommended level using the FLAG framework<sup>19</sup> for Scope 3 emissions – see Table 4.

<sup>18</sup> According to the SBTi "to ensure targets remain aligned with the most recent climate science, companies will be required to review, and if necessary, revalidate their targets every five years from the date of the original target approval, beginning in 2025. This will become mandatory in 2025".

<sup>19</sup> The SBTi's Forest, Land And Agriculture (FLAG) Framework is employed as Unilever obtains 37% of its revenue from Nutrition and Ice cream, and 22% of its total GhG emissions come from Purchased Goods.



Table 4: Unilever's SBTs for Scope 3 alignment with 1.5°C by 2030. Source: SBTi FLAG Framework & Planet Tracker Calculations.

Pathway	Pathway Type	Absolute % reduction (%/yr 2020-2030)	Emissions Source	Unilever's 2020 GhG emissions (KTCO <sub>2</sub> e)	Unilever's 2030 recommended GhG emissions (KTCO <sub>2</sub> e)
FLAG Sector	Absolute	3.03%	Raw Ingredients Scope 3	19,320	13,466
Mixed Sector (Non-FLAG)	Absolute	4.20%	Rest of Scope 3	81,290	47,148
<b>FLAG &amp; Non-FLAG Sector</b>	<b>Absolute</b>	<b>3.98%</b>	<b>Total Scope 3</b>	<b>100,610</b>	<b>60,614</b>

As shown in the table above, **to align with a 1.5°C scenario by 2030, Unilever must reduce its Scope 3 emissions by 40% (or 3.98% per year), from a high of 100,610 KTCO<sub>2</sub>e in 2020 to a low of 60,614 KTCO<sub>2</sub>e by 2030.** This absolute reduction ratio is calculated as the weighted average between the 30% absolute reduction recommended for FLAG-related remissions (i.e., raw ingredients source in this case) and the 42% absolute reduction for the rest of Scope 3 emissions.

**If 2022 emissions are used as a starting point** and compared to the level of emissions recommended by the SBTs, **Scope 1, 2 and 3 emissions will need to decline by 12% by 2025 and 34% by 2030.** Comparatively, **extrapolated trends suggest that Scope 1, 2 (market-based), and 3 GhG emissions will decrease by 13% from 2022 to 2025 and by 28% by 2030,** resulting in total extrapolated emissions of 66,210 KTCO<sub>2</sub>e in 2030 **or only 9% higher than the SBT's recommended level** of 60,614 KTCO<sub>2</sub>e.

This gap is mainly driven by the increasing emissions coming from **Scope upstream activities**, which **stand to reach 28,414 KTCO<sub>2</sub>e or twice as high as the SBT recommended level of 14,369 KTCO<sub>2</sub>e by the end of the decade.** Thus, it becomes paramount to assess Unilever's climate alignment when these emissions are highlighted as the bulk of the company's GhG externalities.

According to the GhG Protocol, indirect use-phase emissions, such as consumption emissions resulting from the 'use of sold products', are an optional component of a company's Scope 3 emissions. Similarly, while SBTi encourages companies to consider these emissions, it makes clear that their inclusion is beyond the scope of a company's Scope 3 targets<sup>20</sup>. As a result, we deemed it relevant to assess the gap between the SBT recommended emissions level and the extrapolated trend when emissions from indirect consumption are excluded.

**Assuming that emissions from the 'use of sold products' are excluded, the total Scope 1, 2, and 3 extrapolated emissions will decrease from 34,310 KTCO<sub>2</sub>e in 2022 to 32,676 KTCO<sub>2</sub>e by 2030, an equivalent decrease of less than 5% (vs a 28% decrease when these optional emissions are included).**

In order to align with a 1.5°C scenario by 2030, Unilever must reduce its 'mandatory' Scope 3 emissions by 36%, from a high of 34,850 KTCO<sub>2</sub>e in 2020 to a low of 22,473 KTCO<sub>2</sub>e by 2030 – see Table 5. Furthermore, **from a 2022 baseline, Scope 1, 2, and 3 emissions must decrease by 16% by 2025 and by 34% by 2030.**

<sup>20</sup> For more details visit: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>



Table 5: Unilever's SBTs for Scope 3 alignment with 1.5°C by 2030, excluding Use of Goods Sold emissions.  
Source: SBTi FLAG Framework & Planet Tracker Calculations.

Pathway	Pathway Type	Absolute % reduction (%/yr 2020-2030)	Emissions Source	Unilever's 2020 GhG emissions (KTCO <sub>2</sub> e)	Unilever's 2030 recommended GhG emissions (KTCO <sub>2</sub> e)
FLAG Sector	Absolute	3.03%	Raw Ingredients Scope 3	19,320	13,466
Mixed Sector (Non-FLAG)	Absolute	4.20%	Rest of 'mandatory' Scope 3	15,530	9,007
<b>FLAG &amp; Non-FLAG Sector</b>	<b>Absolute</b>	<b>3.55%</b>	<b>Total 'mandatory' Scope 3</b>	<b>34,850</b>	<b>22,473</b>

Ultimately, the **extrapolated trends indicate that Unilever's Scope 1, 2 (market-based) and (mandatory) 3 GhG emissions of 32,676 KTCO<sub>2</sub>e by 2030 will be 45% (compared to 9%) higher than the SBT's recommended level of 22,473 KTCO<sub>2</sub>e.**

When applying the climate sensitivity model detailed

in our 'Strategic Assessment', if not mitigated further, this trend will align Unilever with a 1.7°C scenario by 2030. Therefore, we conclude that **without further mitigation the company will be on track for a 2°C pathway by 2030.**



## Policy and Governance

### ENGAGEMENT AND INFLUENCE

#### Suppliers' Engagement

Unilever's **strategy for engaging and incentivising suppliers** on climate-related issues focuses on changing supplier behaviour. As of 2021, **this strategy covers 68% of the company's suppliers by number and 83% of its total procurement expenditure**, both direct and indirect. However, Unilever does not publicly disclose the percentage of supplier-related Scope 3 emissions that this strategy encompasses.

In 2021, Unilever engaged with a subset of priority suppliers through the CDP Supply Chain survey, achieving a 93% participation rate, which according to the company is well above the average member participation rate of 71%. Additionally, the company shaped the Climate Program in 2021, which focuses on a subset of its supply base that is most material from a climate perspective. Through this program, Unilever aims to work with and support its suppliers specifically on climate issues.

Furthermore, under Unilever's engagement and incentivisation strategy, **suppliers must adhere to the mandatory principles of the Responsible Partner Policy (RPP)<sup>21</sup>, which was published in 2022** to replace its supplier-facing Responsible Sourcing Policy and distributor and customer-facing Responsible Business Partner Policy. The RPP requires suppliers to confirm their commitment to the mandatory requirements set forth in the policy's fundamental principles, one of which is conducting business in a manner that prioritises sustainability and reduces environmental impact.

**The target set by Unilever is to achieve 100% procurement spending coverage.** What is more,

**this new policy is supported by the company's mandatory People and Nature Policy<sup>22</sup> and its accompanying Policy Guidelines<sup>23</sup>** published in December 2020.

If a supplier is non-compliant with Unilever's RPP, the company will support them to become compliant by requesting the said business partner to create and implement a Corrective Action Plan (CAP). Severe cases may be escalated to the Procurement Business Integrity Committee (PBIC) a tripartite internal body comprising representatives from Business Operations (including Procurement), Business Integrity and the Global Sustainability Function. The PBIC is the final arbiter for these cases and is responsible for upholding the principles that govern the implementation of the RPP. Ultimately, if the business partner is either unwilling or unable to remedy material non-compliances then the company would no longer be able to do business with them and a responsible exit plan would be formulated.

#### Customers' Engagement

**Unilever engages with its customers through educational campaigns aimed at raising awareness** of the climate impact of its products, goods, and services. Such efforts would include Unilever's marketing campaigns to encourage laundry washing on cold and short settings, which according to the company can help consumers save up to 60% energy per use (reducing, as a consequence, its Indirect Consumption emissions)<sup>24</sup>. The company **intends to reach 100% of its customers and nearly 4% of customer-related Scope 3 emissions** through these education campaigns as part of its goal to halve the GhG footprint by the end of the decade.<sup>25</sup>

<sup>21</sup> Find more details [here](#).

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

<sup>23</sup> Find more details [here](#).

<sup>24</sup> The company is also innovating in laundry pods designed to be effective in cold and short cycles that can help consumers save energy and reduce Unilever's downstream emissions - see [here](#).

<sup>25</sup> Source: 2022 Unilever CDP Climate Response, page 273, section C12.1b.



To reduce GhG emissions throughout its products' lifecycle, Unilever also engages with large retail customers who serve millions of consumers through in-store and online channels. One example of in-store engagement is the 7-year partnership between Unilever, Albert Heijn (with 35% of the national market share) in the Netherlands, and the National Postcode Lottery, promoting more sustainable eating and plant-based diets. Members of the National Postcode Lottery received a voucher<sup>26</sup> to purchase sustainable meals, and a follow-up study revealed that 58% of those who were aware of the campaign (quantified at 38%) began eating more meat substitutes.

In the online space, Unilever is working with Amazon to increase accessibility to its sustainable brands, such as Dove and Seventh Generation, through the Climate Pledge Friendly filter. The program's success is measured by the purchase volume of products with the badge, aimed at reducing GhG emissions and physical waste. In 2021, Unilever had around 600 products participating in this program. However, the company does not disclose how much of its total products this amount represents.

In addition, **Unilever representatives have confirmed that they are directing their downstream efforts towards the most GhG-intensive aspects of their customer touch points, namely their logistics and distribution footprint, and the climate impact of their ice cream freezers in customers' stores.** According to Unilever's 2022 Annual Report, downstream logistics and distribution account for 3% of the company's GhG emissions, while emissions from upstream logistics and distribution are included in the raw material and ingredients category.

**In 2022, Unilever achieved a 7% reduction in its total logistics emissions compared to 2020.** This

reduction was mainly attributed to a decrease in the number of **kilometres travelled**, which **decreased by 11% compared to 2020**. According to Unilever, retail emissions from ice cream freezers contribute to 10% of its GhG emissions.

The company reported an **11% reduction in retail emissions from 2020, primarily due to the wider industry's energy grid decarbonisation and Unilever's transition to lower-impact point-of-sale cabinets**<sup>27</sup>. Moreover, Unilever is innovating in product formulations to reduce energy consumption in this segment as well. In 2022, the company successfully completed a trial in Germany, achieving energy savings of up to 30% without compromising ice cream quality by warming up freezers from -18°C to -12°C.

### Influence on Policymakers

**Unilever's Climate Engagement:** Unilever engages directly with policymakers and through trade associations to influence climate-related policy, law, or regulation. In its 2021 Annual Report<sup>28</sup>, the company committed to aligning its public policy lobbying with the UN Paris Agreement. **Unilever signed an open letter in September 2021 calling for the G20 to achieve 1.5°C and recognised the role of land-use techniques in mitigating climate change** on its corporate website **in August 2022. The company supported the EU's Green Deal and 2050 Net Zero target in a joint letter in December 2022 and increasing US climate policy ambition in a joint letter in May 2022.** CEO Alan Jope called for Paris-aligned Nationally Determined Contributions before COP27 in a joint letter in November 2022.

**Regulations and Policies:** Unilever has actively supported various climate-related regulations and

<sup>26</sup> With a face value of EUR 12.50 or USD 14.21 – according to an end of year exchange rate in 2021 of USD 1.1371.

<sup>27</sup> All new freezers purchased by Unilever in 2022 used lower carbon, natural hydrocarbon refrigerants – over 95% of their 3 million freezers now use these refrigerants. Unilever also disclosed investing in energy-efficient freezers, with the average energy use per unit falling by 2.5% compared to 2021.

<sup>28</sup> Published in December 2021.



policies, including **signing a joint letter in June 2022 in support of a more ambitious EU ETS reform and directly advocating for an ambitious 2030 GhG emission target in an open letter in April 2021**. The company's 2021 CDP response stated advocacy for stronger efficiency targets in the EU and US and CEO Alan Jope supported energy efficiency and renewable energy incentives in a **November 2022 joint letter**. **However, it is worth noting that Scope 1 and 2 emissions only account for 3% of the company's total emissions as of 2021.**

**Land-use and Policies: Unilever published its mandatory People and Nature Policy and accompanying Policy Guidelines in December 2020.** This policy serves as a complement to the company's Responsible Partner Policy and outlines clear expectations for Unilever's suppliers, which are **organised around four principles: 1) protecting natural ecosystems from deforestation and conversion; 2) respecting and promoting human rights; 3) transparency and traceability; and 4) being a force for good for nature and people.** Unilever states it collaborates directly with suppliers of key commodities, including palm oil, soy, paper & board, tea and cocoa, to implement this policy.

Furthermore, Unilever also states it influences land use and land use policies through landscape programs, particularly in areas where its climate-related risks are most significant. **In Indonesia and Malaysia, for instance, the company has partnered with the government on five jurisdictional / landscape programs that enable it to influence land use policy**<sup>29</sup>.

**In October 2021, the company expressed general support for the EU Sustainable Food Systems**

#### **Legislation and investment in plant-based proteins.**

On its corporate website, accessed in August 2022, Unilever broadly supports transitioning diets in line with the IPCC. Other EU policy engagements worth mentioning are the 'Collective Position Paper on EU Action to Protect and Restore The World's Forests: Proposal For A Smart Mix Of Measures<sup>30</sup>' and the follow-up 'AIM Commentary' on proposed deforestation regulation<sup>31</sup>.

**In the UK,** as a member of the Government's Global Resource Initiative Taskforce, which aims to drive more resilient and sustainable food systems, **Unilever contributed to the consultation on the introduction of due diligence on forest risk commodities**<sup>32</sup>.

Moreover, Unilever was part of a group of companies urging the Government not to restrict new laws to illegal deforestation only<sup>33</sup>.

**Trade Associations:** Unilever aligns its trade associations' lobbying activities with the Paris Agreement and requests confirmation of positions. The company publicly disclosed its climate policy position on indirect lobbying at the end of 2021 and values collaboration with trade associations that hold similar advocacy positions. **In cases of disagreement, Unilever may publicly disagree or withdraw membership if views cannot be reconciled on major issues.** For more details on Unilever trade associations membership see Table 6.

In addition to its membership in these associations, Unilever discloses its support and positions on various sustainability platforms, including the Board of the SAI Platform, RSPO Board, RTRS member, and High Carbon Stock Approach member. These platforms aim to govern land use and land use policy development.

<sup>29</sup> For more details see 'Reimagining Landscapes' and 'Forest Footprint Report Aceh – Indonesia case study'.

<sup>30</sup> Find more details [here](#).

<sup>31</sup> Find more details [here](#).

<sup>32</sup> Find more details [here](#).

<sup>33</sup> Find more details [here](#).



Table 6: Trade Associations influenced by Unilever. Source: Unilever Climate Change CDP Answers 2022.

Organisation	Organisation Ambition	Unilever's Influence
Consumer Goods Forum (CGF)	Members' key areas of change: (1) Reduce food waste across operations and throughout their value chain; (2) Tackle deforestation; (3) Phase out polluting refrigerants.	Unilever's CEO is a member of the Board of Directors of the CGF. In 2018, Unilever's CSO co-led the Sustainability Steering Committee engaging in the development of CGF resolutions related to deforestation and sustainable refrigeration. In 2021, Unilever and Walmart co-chaired a Race to Zero Task Force within the CGF, which resulted in doubling the number of CGF Board members making commitments to the UN's Race to Zero.
World Business Council for Sustainable Development (WBCSD)	To advance the international climate policy debate through active involvement in multilateral processes, particularly the United Nations Framework Convention on Climate Change (UNFCCC). WBCSD is one of the leading members of the We Mean Business Coalition.	Unilever is a member of the WBCSD's SOS 1.5 programme, including contributing funding, and participates in its Climate Policy Working group.
UN Global Compact	Responsible Engagement in Climate Policy, calls for companies and trade associations to ensure their lobbying aligns with their public position on climate change.	Unilever's CFO was on the CFO Taskforce for the SDGs (running from 2019-2021). The taskforce played a key role in shaping the sustainability agenda of CFOs, developing a common language, collective ambitions, and resources for CFOs all around the world to accelerate corporate investments towards Sustainable Development Goals (SDGs).
Alliance of CEO Climate Leaders (by the World Economic Forum)	It advocates policy positions in respect of climate change at an international level.	Unilever's CEO is a member of WEF's Alliance of CEO Climate Leaders.
International Association for Soaps, Detergents and Maintenance Products (AISE)	To enhance the sustainability of the European detergent and maintenance products industry through cooperation with European legislators and the development of voluntary initiatives to decrease the environmental impact of the industry and its products.	Unilever's Vice President of Regulatory Affairs is on the AISE Board. The company has been strongly engaged in the formulation of the AISE position and vision, and the execution of it.
Personal Care Products Council (PCPC)	To share best practices among its membership to help advance the management of carbon emissions across the sector.	Unilever's EVP & COO of North America for Beauty and Personal Care is Vice Chair of the PCPC.
Sustainable Food Policy Alliance (SFPA)	To accelerate the pace of change in the food industry through individual company leadership and collective support for public policies that raise the bar and inspire further action.	Unilever is a founding member of SFPA and we have been inputting directly into the Climate Principles, along with advocating for policy related to its principles at the federal and state level.

In summary, **Unilever displays an extensive engagement strategy with its suppliers and customers as it not only aims for to raise awareness but also offers tools and solutions for more sustainable outcomes.** Additionally, **Unilever**

**collaborates with key commodity suppliers to implement its People and Nature Policy and influence land use policies through its landscape programs. The company also supports various EU policies to protect and restore forests.**





## MANAGEMENT ALIGNMENT

### Sustainability Targets Oversight

The Board bears overall accountability for managing all risks and opportunities, including climate change.

The CEO and Executive Board member, Alan Jope<sup>34</sup>, holds ultimate responsibility for overseeing the company's climate change agenda and may delegate responsibilities to the Unilever Leadership Executive (ULE). The ULE, comprising the CEO, CFO,

and other senior executives, reports to the CEO but does not participate in the Board's decision-making process, which is the exclusive purview of the CEO and CFO as the only two executive Board members.

The Corporate Responsibility Committee and Audit Committee review Unilever's climate reporting and receive presentations from sustainability experts, including the Sustainability Advisory Council, composed of external sustainability leaders from civil society organisations and academia – see Tables 7 and 8.

Table 7: Board of Directors Organisational Structure & Responsibility. Source: Unilever's website on 28 February 2023.

Committee	Corporate Responsibility Committee	Compensation Committee	Nominating and Corporate Governance Committee	Audit Committee
Nils Andersen, Chairman		●	Chair	
Andrea Jung, Vice Chair/Senior Independent Director		Chair	●	
Dr. Judith Hartmann, Non-Executive Director				●
Adrian Hennah, Non-Executive Director				Chair
Susan Kilsby, Non-Executive Director				●
Ruby Lu, Non-Executive Director		●	●	
Strive Masiyiwa, Non-Executive Director	Chair			
Youngme Moon, Non-Executive Director	●			
Nelson Peltz, Non-Executive Director		●		
Hein Schumacher, Non-Executive Director				●
Feike Sijbesma, Non-Executive Director	●		●	

Lastly, specialist governance groups, such as the Climate Action Committee and the Sustainable Sourcing Steering Group, support the company's climate agenda and ULE decision-making. The Climate Action Committee, led by the Chief Business Operations Officer, Reginaldo Ecclissato, drives the delivery of Unilever's carbon ambition at corporate and country levels and leads strategic partnerships

and policy on renewables. Meanwhile, the Sustainable Sourcing Steering Group, chaired by the Chief Procurement Officer, supports the company's strategy focusing on long-term, sustainable access to key crops. After the departure of David Ingram in August 2022<sup>35</sup>, the Chief Procurement Officer position is held by Willem Uijen.

<sup>34</sup> Notably, Alan Jope will retire in 2023 after five years as Unilever's CEO. Unilever appoints Hein Schumacher as its new CEO set to take on the role on 1 July 2023.

<sup>35</sup> David Ingram joins Bacardi Limited as Chief Supply Chain Officer.





Table 8: Unilever Leadership Executive (ULE). Source: Unilever's website on 28 February 2023.

Name	Position	Name	Position
Alan Jope	Chief Executive Officer	Fabian Garcia	President, Personal Care
Graeme Pitkethly	Chief Financial Officer	Sanjiv Mehta	President, Unilever, South Asia and Chair & Managing Director, Hindustan Unilever
Conny Braams	Chief Digital & Commercial Officer	Nitin Paranjpe	Chief People and Transformation Officer
Matt Close	Business Group President Ice Cream	Richard Slater	Chief R&D Officer
Reginaldo Ecclissato	Chief Business Operations and Supply Chain Officer	Peter ter Kulve	President, Home Care
Hanneke Faber	President, Nutrition	Maria Varsellona	Chief Legal Officer and Group Secretary
Fernando Fernandez	President, Beauty & Wellbeing		

### Management Compensation

Unilever's executive remuneration for management personnel, up to and including the ULE, consists of fixed pay, a bonus calculated as a percentage of fixed pay and eligibility to participate in the Long-Term Performance Share Plan (PSP). **The PSP is linked to financial and sustainability performance, as**

**measured by the Sustainability Progress Index (SPI).**

The SPI, which accounts for 25% of the PSP award, reflects the company's sustainability targets, such as reducing emissions in manufacturing, promoting sustainable sourcing and using recycled plastic – see Figure 7<sup>36</sup>.

PSP 2022 – 2024 awards			
	Weighting	Threshold	Max
Competitiveness: % Business Winning	25%	45%	60%
		0%	200%
Cumulative Free Cash Flow (€bn) (Current rates ex cash tax on disposal)	25%	€16.0bn	€22.0bn
		0%	200%
Return On Invested Capital (Exit year %)	25%	15%	19%
		0%	200%
Sustainability Progress Index (€bn) (Committee assessment of SPI progress)	25%	0%	200%
		0%	200%

Figure 7: Executive Remuneration Breakdown. Source: Unilever Proxy Statement 2022.

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



Since its introduction in 2017, the Sustainability Progress Index (SPI) has been a key component of Unilever's long-term incentive (LTI) scheme, aiming to show the company's commitment to sustainable business practices. In 2021, Unilever updated the SPI to reflect its new sustainability commitments, outlined in the Unilever Compass.

As stated by the company, the Compass strategy has three overarching goals: improving the planet's health, improving people's well-being, and promoting social equity. These goals are supported by eight key pillars, each represented by a KPI in the updated SPI.

**The eight SPI KPIs are determined by the Corporate Responsibility Committee (CRC) and the Compensation Committee (CC) and are reviewed annually to assess the company's progress against each KPI.** However, it is worth noting that these KPIs

are equally weighted and despite specific annual targets they are fixed for the next three years.

**For 2022, the eight SPI KPIs agreed between the CRC and CC for the PSP awards include: (1) Climate action, (2) Protect and regenerate nature, (3) Waste-free world, (4) Health and well-being, (5) Positive nutrition<sup>37</sup>, (6) Raise living standards, (7) Equity, diversity and inclusion, and (8) Future of work.**

**Despite its limited customer engagement, Unilever has adopted a sound approach to its Policy and Governance via its engagement strategy with suppliers and policymakers and by linking mid- to long-term compensation to sustainability KPIs. In Planet Tracker's view, this position supports the company's ambition for alignment with a 1.5°C scenario by 2030.**

<sup>37</sup> Indirectly this KPI also affects climate as it focuses on plant-based meat and dairy alternatives.



## Risk Analysis

### FINANCIAL IMPACT

Unilever's material risks and opportunities in a world focused on achieving 1.5°C were analysed by the company when it reviewed two pathways, namely the 'proactive' and the 'reactive pathways'<sup>37</sup>. The 'proactive' pathway involves early and steady reduction of emissions due to a prompt response from all economic actors thus reducing the dependence on technology for removing carbon from the atmosphere later in the century. Conversely, the 'reactive' pathway entails a delayed response by economic actors until 2030, requiring a rapid transition across all actors, accompanied by large-scale deployment of low-carbon energy and carbon removal technology.

Under these pathways or scenarios assessments, the key risks identified by the company include regulatory risks such as carbon pricing, land use regulation, product composition regulations, and sourcing transparency and labelling regulations. Other related risks include energy transition and rising energy prices, leading to market volatility, while physical environment risks include water scarcity and extreme weather events. Opportunities identified at a market level include innovative products and services, such as the growth in plant-based or lab-grown food sales.

In 2021, Unilever focused on a 1.5°C scenario analysis, the company also conducted a scenario analysis in 2017 on 2°C and 4°C scenarios. The 2021 results are consistent with the previous work, with key differences arising from the more extreme measures required for a 1.5°C outcome, the evolution of scientific assumptions, and a more detailed approach to the scenario analysis. Thus, the financial impact in 2030 is higher in the 1.5°C scenario, but it avoids the greater negative impacts from physical risks associated with higher temperature

rise scenarios in 2050 and beyond.

Unilever representatives emphasised during our engagement with the company that the company "has performed a qualitative assessment of specific risks and opportunities, supported where possible with high-level quantitative assessments". That the "assessments are based on financial scenarios and do not represent financial forecasts" and that they "exclude any actions that Unilever might undertake to mitigate or adapt to these risks". Unilever's stance is that the "quantitative assessments were developed to understand high-level materiality and order of magnitude financial impact rather than perform detailed simulations or forecasts on the long-term future of markets and products"<sup>38</sup>.

Planet Tracker categorised these risks and opportunities into three drivers of change: External Policy, Physical Impact and Market Drivers.

### External Policy Drivers

Unilever has identified three key External Policy risks: (1) carbon tax and voluntary carbon removal costs, (2) impact of land use regulation on food crop yields, and (3) rising energy prices for suppliers and in manufacturing. These risks could under specific circumstances result in increased direct and indirect costs related to carbon emissions, with the most significant impact expected on raw material, production, and distribution costs of sales.

To quantify the financial impact of carbon tax and voluntary carbon removal costs, Unilever determined the potential impact of elevated carbon regulations and voluntary offset prices on its upstream Scope 3 emissions on raw and packaging material costs, distribution costs and residual emission neutralisation post-2039. The company calculates a potential annual profit impact, assuming no mitigation actions, ranging from USD 2.8 billion in 2030 to USD 7.1 billion by 2050<sup>39</sup>.

<sup>38</sup> As per Planet Tracker's interaction with Unilever on 11 May 2023.

<sup>39</sup> Unilever quantifies its future risk and opportunities in EUR. For comparison purposes Planet Tracker converted everything to USD using as exchange rate the average annual closing rate of the last five years assessed in this report (2017–2021) of 1.16592.



With regards to **the impact of land use regulation on food crop yields**, Unilever quantified the potential impact of changes in regulation, leading to the conversion of food crops to forests, on reduced crop output and increased raw material prices, impacting sourcing costs. The company calculates in its scenarios assessment a potential annual profit impact, if not addressed, **ranging from USD 0.3 billion in 2030 to USD 5.9 billion by 2050**.

Lastly, for the **impact of rising energy prices**, Unilever quantified the potential impact on energy annual spending and indirect cost increases from raw material suppliers. The company calculates a potential profit impact, if not mitigated, **ranging from USD 0.7 billion in 2030 to USD 4 billion in 2050**. Further information on the annual financial impact, including direct and indirect cost increases and assumptions, is available in Table 9.

Table 9: Financial quantification of the assessed External Policy risks. Source: Unilever 2021 Annual Report.

Risk	The potential financial impact on profit in the year if no actions to mitigate risks are taken (USD)			Key assumptions
	2030	2039	2050	
Carbon tax and voluntary carbon removal costs	2.8 to 3.7 billion	5.6 to 6.1 billion	up to 7.1 billion	<ul style="list-style-type: none"> <li>Absolute zero Scope 1 and 2 emissions by 2030;</li> <li>Scope 3 emissions exclude consumer use emissions;</li> <li>Carbon price would reach 245 USD/tonne by 2050, rising more aggressively in the early years in a proactive scenario;</li> <li>Price of carbon offsetting would reach 65 USD/tonne by 2050;</li> <li>Offsetting 100% of emissions on and after 2039.</li> </ul>
Land use regulation impact on food crop outputs	0.3 to 0.9 billion	0.8 to 2.4 billion	2.0 to 5.9 billion	<ul style="list-style-type: none"> <li>By 2050, in a proactive scenario, land use regulation would increase prices by:                             <ul style="list-style-type: none"> <li>Palm: ~28%;</li> <li>Commodities and food ingredients: ~33%.</li> </ul> </li> <li>By 2050, in a reactive scenario, land use regulation would increase prices by:                             <ul style="list-style-type: none"> <li>Palm: ~10%;</li> <li>Commodities and food ingredients: ~11%.</li> </ul> </li> </ul>
Impact of rising energy prices for suppliers and in manufacturing	0.7 billion	1.7 billion	4.0 billion	<ul style="list-style-type: none"> <li>High uncertainty surrounds possible shifts to energy prices during a transition to 1.5°C world;</li> <li>Analysis assumes that by 2050 average electricity prices would:                             <ul style="list-style-type: none"> <li>Rise ~16% in The Americas;</li> <li>Rise ~18% in Europe;</li> <li>Decline ~1% in ASIA/AMET/RUB<sup>40</sup>.</li> </ul> </li> <li>By 2050 average global gas prices would rise by ~141%.</li> </ul>

Based on Table 9, **Unilever's scenario assessment shows that External Policy drivers could pose a significant risk to the company, with a total potential impact ranging from USD 3.8 billion by 2030 to USD 17 billion by 2050**. In Planet Tracker's view, this implies that **the lowest expected impact would represent 36% of Unilever's current three-**

**year average annual operating profit**. Additionally, in its 2022 CDP response, under the same scenarios high-level analysis that assumes no further actions are taken, Unilever presents the **likelihood of the mentioned impacts as 'very likely' or 'virtually certain'**<sup>41</sup>. And although Unilever regards its scenarios assessment as potential cost increases under specific circumstances

<sup>40</sup> Refers to Asia, Africa, Middle East, Turkey, Russia, Ukraine and Belarus.

<sup>41</sup> For comparison purposes Planet Tracker quantifies the 'very likely' and 'virtually certain' statements as a 90% and 99% probability, respectively.



and not forecasts<sup>42</sup>, Planet Tracker does consider that any potential financial impact under reasonable assumptions should be regarded as an expected impact under the caveat of further actions not being taken.

**To determine the expected financial impact resulting from potential External Policies, Planet Tracker used the Inevitable Policy Response (IPR)<sup>43</sup> carbon pricing for 2030, applied to Unilever's Scope 1, 2, and 3 emissions.** By weighting operational emissions (i.e., Scope 1 and 2) by their geographic origin in the last three years<sup>44</sup> a future weighted average price of USD 52 per TCO<sub>2</sub>e was derived. As a result, we project a **financial impact of USD 13 million by 2030 linked to Scope 1 and 2 emissions** if historical trends are not mitigated further.

Moreover, we derived the potential financial impact of future Carbon Pricing Mechanisms (CPMs) on Unilever's operations related to its Scope 3 emissions, excluding indirect consumer use emissions<sup>45</sup>. Using a revenue geographic origin weighting of the past three years a future weighted average price of USD 58 per TCO<sub>2</sub>e<sup>46</sup> was derived. Thus, we calculate a **potential increase in costs of close to USD 1.9 billion per year by 2030 if Scope 3 historical trends are not mitigated further**. Even with an assumed **80% cost absorption** from suppliers or customers, the resulting cost increase would be close to **USD 1.5 billion or over 14% of Unilever's current three-year average annual operating profit**. However, if we include indirect consumer use emissions in these calculations, the projected Scope 3 emissions will total 65,959 KTCO<sub>2</sub>e by 2030. Thus, in the highly improbable case where CPMs are applied to indirect consumer use emissions, said policies would result in **an annual cost increase of USD 3.1 billion or 29% of Unilever's three-year average annual operating profit** under an 80% cost absorption assumption.

In conclusion, **according to Planet Tracker's**

**assessment, Unilever faces a total risk of between USD 1.5 billion and 3.8 billion in the next decade from External Policy drivers, depending on whether Planet Tracker calculations or Unilever's conservative scenarios assessment outcomes are considered.** Therefore, although Unilever does not regard its scenarios assessment as an expected (i.e., projected) potential risk when no further mitigation actions are taken, Planet Tracker concludes that the company has identified these risks adequately by 2030.

### Physical Impact Drivers

In relation to **Physical Impact, Unilever is focused on the rising frequency of extreme weather events, leading to (1) water scarcity's impact on crop yields, and (2) the impact of extreme temperatures on crop yields.**

The first Physical Risk, **water scarcity's impact on crop yields**, is quantified by Unilever in terms of how increased water-stressed areas and prolonged droughts could decrease crop viability and raise raw material prices, due to reduced crop output in agricultural regions. The company calculates a potential annual profit impact, if not mitigated, **ranging from USD 0.2 billion in 2030 to USD 2 billion by 2050.**

The second Physical Risk, **the impact of extreme temperatures on crop yields**, is assessed by Unilever by quantifying the effect of extreme weather events such as sustained high temperatures on crop output and sourcing costs across key commodities. The company estimates a potential annual financial impact, assuming no mitigation or adaptation, **ranging from USD 0.3 billion in 2030 to USD 3.3 billion by 2050.**

Further information on the annual financial impact, including cost increases and Unilever's assumptions, is available in Table 10.

<sup>42</sup> According to Unilever the quantified impact should not be used as a projection of the financial impact of the risks identified on the company's profit.

<sup>43</sup> [The Inevitable Policy Response to Climate Change \(2021\)](#).

<sup>44</sup> We use a shorter timespan for better geographical accuracy.

<sup>45</sup> This approach is followed as a scenario in which the carbon price associated with product use (e.g. hot water for shampoo) would be paid by Unilever is highly improbable.

<sup>46</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.



Table 10: Financial quantification of the assessed Physical environmental risks. Source: Unilever 2021 Annual Report.

Risk	The potential financial impact on profit in the year if no actions to mitigate risks are taken (USD)			Key assumptions
	2030	2039	2050	
Water scarcity impact on crop yields	0.2 to 0.3 billion	0.6 to 0.8 billion	1.4 to 2.0 billion	<ul style="list-style-type: none"> <li>By 2050, in a proactive scenario, water scarcity would increase prices by:                             <ul style="list-style-type: none"> <li>- Palm: ~10%;</li> <li>- Commodities and food ingredients: ~11%.</li> </ul> </li> <li>By 2050, in a reactive scenario, water scarcity would increase prices by:                             <ul style="list-style-type: none"> <li>- Palm: ~14%;</li> <li>- Commodities and food ingredients: ~16%.</li> </ul> </li> </ul>
Extreme temperature impact on crop yields	0.3 to 0.5 billion	0.9 to 1.3 billion	2.2 to 3.3 billion	<ul style="list-style-type: none"> <li>By 2050, in a proactive scenario, extreme weather would increase prices by:                             <ul style="list-style-type: none"> <li>- Palm: ~12%;</li> <li>- Commodities and food ingredients: ~14%.</li> </ul> </li> <li>By 2050, in a reactive scenario, extreme weather would increase prices by:                             <ul style="list-style-type: none"> <li>- Palm: ~18%;</li> <li>- Commodities and food ingredients: ~21%.</li> </ul> </li> </ul>

According to Table 10, **Unilever calculates that the total risk associated with Physical Risk drivers would range from a low of USD 0.5 billion by 2030 to a high of USD 5.3 billion by 2050.** In Planet Tracker's view, this implies that even **the minimum anticipated impact would account for close to 6% of Unilever's average annual operating profit over the past three years.**

Unilever has also confirmed in its 2022 CDP responses that these impacts are 'very likely' to occur. Thus, although these risks may carry less potential impact than External Policy drivers, they are still significant and require adequate management by the company.

#### Market Drivers

Regarding Market Drivers, **Unilever recognises an opportunity in the growth of the plant-based foods category.** The company has quantified the potential revenue from the anticipated expansion of the global plant-based foods market, including its possible market share in 2025. Unilever calculates a potential annual financial impact if opportunities are capitalised on, **ranging from USD 0.6 billion in 2030 to USD 7.5 billion in 2050**<sup>47</sup>. Also, the company disclosed it is 'very likely' to capitalise on this opportunity. Further information on the key assumptions used in these calculations is available in Table 11.

Table 11: Financial quantification of the assessed Market Opportunities. Source: Unilever 2021 Annual Report.

Opportunity	The potential financial impact on profit in the year if no actions to mitigate risks are taken (USD)			Key assumptions
	2030	2039	2050	
Growth in the plant-based foods category	up to 0.6 billion	up to 2.0 billion	up to 7.5 billion	<ul style="list-style-type: none"> <li>By 2050, the total global market for plant-based products would rise to ~USD 1.6 trillion;</li> <li>Maintain a constant market share;</li> <li>Product mix and product margins would remain constant.</li> </ul>

<sup>47</sup> It is worth noting that while External Policy Drivers and Physical Impact Drivers will impact the direct and indirect costs of the company, the Market Drivers will impact revenues.





## RISK MANAGEMENT

According to its Annual Report Unilever faces two key areas of material risk, (1) the evolving regulatory landscape related to Climate Transition and (2) exposure to the high variability in climate and weather patterns, leading to water scarcity and extreme temperatures.

To mitigate the first risk, Unilever proactively tracks governmental developments and takes action to minimise the impact on its operations. As part of its commitment, the company aims to end deforestation in its supply chain by 2023 and supports the implementation of carbon pricing consistent with the Paris Agreement. As a demonstration of its proactive efforts, Unilever invested USD 11.7 million<sup>48</sup> in 84 energy and emissions reduction projects globally in 2021, which the company projects will reduce its annual emissions by over 70 KTCO<sub>2</sub>e.

To determine the cost of the mitigation, Unilever estimates an annual management cost of almost USD 0.5 million which mainly includes scenario analysis and risk management strategy formulation. These costs, plus the 2021 CAPEX figures, total USD 12.2 million for the year. It should be noted that these costs do not account for the potential costs of future carbon taxes or regulations leading to the replacement of old plants, equipment and machinery.

In response to the Physical risk, Unilever has contingency plans in place, such as securing alternative key material supplies, transferring or sharing production between manufacturing sites, and using substitute materials. The company also manages commodity price risk through forward buying of traded commodities and other hedging mechanisms. Unilever regularly monitors and models weather patterns and incorporates them into its price forecasting process. By sourcing sustainably, Unilever aims to secure its supplies and reduce risk and volatility in its raw material supply chains. The company's Sustainable Agriculture Code (SAC) promotes

Climate Smart Agriculture practices to its suppliers and according to the firm is expected to increase productivity and resilience to extreme weather.

The mitigation cost of the Physical risk is estimated at almost USD 0.5 million per year, including risk analysis costs and risk management strategy formulation costs. Again, these do not account for the cost of the adaptation itself or sourcing substitute ingredients.

According to the company, Unilever's Climate Transition Action Plan serves as the main response to both areas of risk. The investment in these mitigation efforts will be covered by the firm's new Climate & Nature Fund, which aims to allocate around USD 1.2 billion<sup>49</sup> over the next decade in order to take meaningful action.

Unilever is also focused on leveraging the growth of the plant-based meat and dairy alternatives market as a market driver opportunity<sup>50</sup>. The company has set an ambitious global sales target of USD 1.2 billion from these products by 2025–2027, achieved through strong growth of its food brands in this category. According to the firm, the plant-based meat and dairy replacement business showed robust double-digit growth in 2021, led by The Vegetarian Butcher's growth across 55 markets in food service and retail. However, the investment required to achieve its plant-based target is not disclosed as Unilever considers it commercially sensitive information.

To conclude, Unilever's process of identifying risks and opportunities is robust and dependable, utilising various scenarios and disclosing underlying assumptions. However, quantifiable metrics for mitigating or managing these identified risks and opportunities are rarely provided and only as case studies. As a consequence, it is difficult to ascertain whether Unilever will follow the appropriate course of action for managing its Climate Change and Transition risks and opportunities. In light of this shortfall, the company's risk analysis does not clearly validate its alignment with a 1.5°C scenario by 2030.

<sup>48</sup> Unilever presents the investment in EUR. For comparison purposes the exchange rate at 2021 end of year of 1.1371 was applied.

<sup>49</sup> As a future deployment of capital for comparison purposes we used as our exchange rate the average annual closing rate of the last five years assessed in this report (2017–2021) of 1.16592.

<sup>50</sup> Please note that this business opportunity could lead to increased emissions if the company did not previously have a high footprint in meat/dairy.





## Strategy Assessment

### CAPITAL ALIGNMENT

Unilever published its CTAP in 2021, setting out its climate strategy and targets for emissions reduction in line with the Paris Agreement's goal of limiting global warming to 1.5°C. **The CTAP includes three principal targets to guide Unilever's actions: (1) a short-term emissions reduction target to reduce in absolute terms its operational (Scope 1 and 2) emissions by 70% by 2025 against a 2015 baseline, (2) a medium-term emissions reduction target to reduce in absolute terms its operational emissions (Scope 1 and 2) by 100% by 2030 against a 2015 baseline, and (3) a long-term Net Zero value chain target to achieve Net Zero emissions covering Scope 1, 2 and 3 emissions by 2039.**

The CTAP also outlines Unilever's approach to emissions accounting. **The company's third target, long-term Net Zero value chain target, covers upstream Scope 3 emissions, Scope 1 and 2 emissions, and mandatory downstream Scope 3 emissions<sup>51</sup>.** This methodology is consistent with the SBTi approach to Net Zero targets<sup>52</sup>. However, **Unilever acknowledges that indirect use-phase emissions** (e.g., emissions associated with hot water generation) **can be substantial and makeup two-thirds of a product's value chain footprint when they are included in the scope<sup>53</sup>.**

**Unilever has also set a (4) medium-term value chain emissions reduction target to halve the full value chain emissions of its products on a per-consumer use basis by 2030 against a 2010 baseline.** This target includes indirect use-phase emissions associated with Unilever's products but aligns with a 2°C pathway. Unlike Unilever's other three targets, this is an intensity

target, not an absolute target<sup>52</sup>. In order to establish comparability between its targets and align them with a 1.5°C pathway, Planet Tracker applied the SBTi FLAG framework to Unilever's Scope 3 emissions. As a result, **Unilever must reduce its Scope 1, 2, and 3 emissions by 12% by 2025 and 34% by 2030 from a 2022 baseline.** Stated differently, Unilever's total GhG emissions by 2030 should not exceed 60,614 KTCO<sub>2</sub>e. If only historical mitigation actions are implemented, the total extrapolated trend of emissions would reach 66,210 KTCO<sub>2</sub>e, highlighting a difference of 5,596 KTCO<sub>2</sub>e, driven predominantly by upstream Scope 3 emissions, resulting primarily from the sourcing of raw ingredients.

Accordingly, the company affirms that its CTAP will concentrate on decreasing emissions in areas within its realm of influence, while continuing to include indirect use-phase emissions in its (4) medium-term full-value target. As disclosed by the company, this approach also appears to be in line with emerging investor sentiment<sup>54</sup>.

Therefore, **adopting a more cautious approach and excluding emissions arising from the 'use of sold products', Unilever's overall SBT emissions level by 2030 ought to be 22,473 KTCO<sub>2</sub>e.** Meanwhile, under the same exclusion, **the extrapolated emissions trends would reach 32,676 KTCO<sub>2</sub>e if not mitigated, leading to a gap of 10,203 KTCO<sub>2</sub>e.**

**To bridge this gap** and achieve its emissions reduction targets, Unilever aims to utilise the following **three key strategies: decarbonisation, energy efficiency, and nature-based solutions.** Specifically, the company aims to adopt **100% renewable energy sources in its operations by 2030**, replacing fossil fuels and

<sup>51</sup> These mandatory downstream emissions exclude indirect consumer use-phase emissions, such as emissions associated with the energy required to use its products.

<sup>52</sup> Under the GhG Protocol, indirect use-phase emissions are an optional part of a company's Scope 3 emissions. Also, the SBTi encourages companies to consider them, but it is also 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 - <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

<sup>53</sup> As a point of reference in 2022 the emissions coming from the "use of sold products" represented almost 63% of Unilever's total emissions.

<sup>54</sup> The Climate Action 100+ investor coalition published benchmark only considers Scope 3 emissions from purchased goods and services (i.e., upstream emissions) to be in scope for companies in the consumer goods sector. Find more details [here](#).



intends to **enhance energy efficiency by 40% by 2025 and 100% by 2030, compared to its 2015 baseline**, through several measures such as equipment upgrades, process optimisation, and energy management systems. However, **the company has not disclosed how much it will invest in accomplishing these objectives, nor has it quantified the amount of GhG emissions mitigation that these strategies will lead to**. The only investment disclosure pertains to Unilever's Climate and Nature Fund, as **the company intends to invest USD 1.2 billion to promote reforestation, landscape restoration, and other nature-based solutions, as well as to encourage regenerative agriculture practices** in its supply chain. One of the ambitions of the fund is to also engage a range of public, private and philanthropic partners to amplify the company's own investment through co-financing. And although Unilever disclosed a list of specific investment themes, **the company has not disclosed how much will be allocated per mitigation action, nor how much GhG emissions the set investment is aiming to mitigate**.

**Comparing Unilever to its peers**, it can be observed that Nestlé<sup>55</sup> has taken similar steps to cover soils and forests, with measures such as 'improved agricultural practices', 'preventing deforestation in the supply chain', 'on-farm and off-farm agroforestry', and 'restoring degraded forests and peatlands', which **would mitigate 22,000 KTCO<sub>2</sub>e by 2030 at an estimated cost of approximately USD 1 billion**<sup>56</sup>. Similarly, Danone would require an investment between USD 662 million and USD 1.1 billion to reduce its agricultural emissions by 14,721 KTCO<sub>2</sub>e by 2030<sup>57</sup>. Therefore, Unilever's **disclosed investment of USD 1.2 billion might have the potential to mitigate the 10,203 KTCO<sub>2</sub>e gap between the SBT emissions level and the extrapolated trend of emissions, when 'use of sold**

**products' emissions are excluded. However, without a disclosed link between investment, mitigation actions per scope, and expected mitigated GhG emissions amount, it cannot be deduced that Unilever's capital aligns with its targets**<sup>58</sup>.

## TRANSITION APPRAISAL

**Planet Tracker has conducted an analysis of Unilever's climate transition plan and evaluated the company's GhG emissions between 2020 and 2022**. Based on Unilever's CTAP, the company has set a target to achieve operational Net Zero by the year 2030 and a Net Zero value chain by the year 2039. Unilever's approach for the latter involves the coverage of upstream Scope 3 emissions, Scope 1 and 2 emissions, and only mandatory<sup>59</sup> downstream Scope 3 emissions.

When first normalising Unilever's targets, Planet Tracker included the company's total Scope 3 emissions to align with a 1.5°C pathway. Under this approach, Unilever should reduce its Scope 1, 2, and 3 emissions by 12% by the year 2025 and 34% by the year 2030 from a baseline year of 2022. However, **if we follow Unilever's criteria for its main ambition to achieve a Net Zero value chain by 2039, and thus exclude the 'use of sold products' emissions from the interim target calculations, the company should reduce its Scope 1, 2, and 3 'mandatory' emissions by 16% by 2025 and by 34% by 2030 from a 2022 baseline year**<sup>60</sup>. In other words, **the total GhG emissions by the year 2030 should not exceed 22,473 KTCO<sub>2</sub>e**. Planet Tracker has identified a gap of 45% or 10,203 KTCO<sub>2</sub>e between the total extrapolated trend of emissions and the updated SBTs<sup>61</sup>.

To assess the company's intention in closing the identified gap, Planet Tracker has also conducted a

<sup>55</sup> Find the full report here – [https://planet-tracker.org/wp-content/uploads/2022/09/CA100\\_Nestle-report.pdf](https://planet-tracker.org/wp-content/uploads/2022/09/CA100_Nestle-report.pdf)

<sup>56</sup> Initiative priced according to McKinsey & Company (2020): Agriculture and climate change.

<sup>57</sup> Find the full report here – <https://planet-tracker.org/wp-content/uploads/2022/11/CTA-Danone.pdf>

<sup>58</sup> In a recent engagement between Planet Tracker and Unilever (April 2023) representatives of the company argued that these numbers are available internally to some extent but due to the broad range of assumptions they require the company was not comfortable making them publicly available at this time.

<sup>59</sup> According to the GhG Protocol and the SBTi.

<sup>60</sup> According to Planet Tracker's calculations, taking into account that Unilever's GhG emissions increased at 11% from 2020 to 2021, excluding 'use of products sold' emissions vs a 5% when these are included.

<sup>61</sup> Which excludes the 'use of sold products' emissions.



review of Unilever’s Policy and Governance and Risk Management. We identified that Unilever exhibits a prudent engagement strategy with its suppliers and customers, as well as key policymakers. Unilever has also adopted a sound approach to throughout its Policy and Governance by linking mid- to long-term compensation to sustainability KPIs. In Planet Tracker’s view, this position supports the company’s ambition to close the potential emissions gap. However, quantifiable metrics for mitigating or managing the identified climate transition risks are not provided. Similarly, there is no disclosed link between investment, mitigation actions, and expected mitigated GhG emissions amount, which may hinder Unilever’s efforts to align with 1.5°C by 2030 and achieve Net Zero by 2039.

Finally, **to assess Unilever’s alignment with a warming scenario, a climate sensitivity estimate has been applied.** This involves comparing the company’s projected emissions and expected emissions resulting from mitigation investments (if any) with the global CO<sub>2</sub>e remaining budget by 2030<sup>62</sup>. A climate sensitivity estimate has been used to compare the global CO<sub>2</sub>e remaining budget by 2030 with Unilever’s CO<sub>2</sub>e budget, relative to its SBTs emissions level by 2030, resulting in an alignment in degrees Celsius. **As a result of surpassing its recommended SBTs emissions level by 9% or 45%<sup>63</sup>, Unilever’s extrapolated trend of emissions could align the company with a 2°C warming scenario by the year 2030** – see Table 12.

Table 12: Unilever’s Temperature Alignment – Estimate of Climate Sensitivity. Source: Planet Tracker Calculations.

Variables	Unilever’s Trend incl. ‘use of goods sold’ emissions	Unilever’s Trend excl. ‘use of goods sold’ emissions
Suggested KTCO <sub>2</sub> e budget (SBT)	60,614	22,473
Expected KTCO <sub>2</sub> e emissions (2030)	66,210	32,676
Target overshoot (undershoot)	9%	45%
SBT temperature (°C)	1.5	1.5
Global KTCO <sub>2</sub> e remaining budget (2030)	30,000,000	30,000,000
Unilever’s Over/(Undershoot) in KTCO <sub>2</sub> e	2,769,675	13,620,083
Baseline Temperature (°C)	1.1	1.1
Warming Ratio <sup>64</sup>	1.33333E-08	1.33333E-08
Unilever’s Temperature Alignment (°C) <sup>65</sup>	1.5	1.7

To summarise, **Unilever’s current CTAP<sup>66</sup> includes commendable initiatives aimed at reducing its environmental impact, however, there is limited linkage between the company’s climate mitigation strategies and its disclosed investments necessary to support these ambitions.** In order to obtain a more precise evaluation, investors should request Unilever for more comprehensive disclosures, particularly concerning its investment in value-chain decarbonisation.

**In conclusion, we assess that  
Unilever is expected to align with a 2°C pathway by 2030<sup>67</sup>**

<sup>62</sup> As stated by IPCC (p.95) – ‘Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development’.

<sup>63</sup> Depending on whether the use of sold products’ emissions are included or excluded from the targets calculations.

<sup>64</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>65</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>66</sup> Unilever aims to review its CTAP every year and update it every three years if needed.

<sup>67</sup> Based on the data accessed by Planet Tracker until March 2023.



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## ABOUT PLANET TRACKER

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

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

As part of its Food & Land Use programme, Planet Tracker is examining the transition plans of the food system (Consumer Goods) companies covered by the Climate Action 100+ list (<https://www.climateaction100.org/whos-involved/companies>). Our goal is to provide investors with the key information and analysis they need to be able to hold food system companies to account for the quality of their climate transition plans and their execution against those plans, and to encourage them to use this information to engage effectively with these companies with the ultimate aim of driving the sustainable transformation of the global food system.

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