

## Dow (DOW) – Climate Transition Analysis

### Recommended Questions

**Q.1** **Question:** *Does Dow plan to enhance its emissions reduction target to align with a 1.5C pathway?*

**Background:** Dow's 2030 target represents only a 4% reduction in total emissions from its 2020 baseline, with a 15% reduction in Scope 1 and 2 by 2030. Competitors in the chemical industry, such as BASF and Bayer, have set more ambitious targets, with Scope 1 and 2 reductions ranging from 25% to 42%.

**Best Practice:** To align with the Paris Agreement, Dow should consider increasing its emissions reduction targets to at least 25% by 2030, like its peers, and publicly disclose a clear roadmap.

**Q.2** **Question:** *Will Dow increase transparency and accountability in its supplier and customer engagement efforts to reduce Scope 3 emissions?*

**Background:** Over 70% of Dow's emissions come from Scope 3, with a significant portion attributable to upstream suppliers. While Dow has invited 502 suppliers, representing 80% of its upstream Scope 3 emissions to participate in the CDP Supply Chain Programme, outcomes remain vague.

**Best Practice:** Develop and disclose detailed metrics and timelines for Scope 3 emissions reductions from supplier and customer engagements.

**Q.3** **Question:** *How will Dow ensure that climate-related executive incentives drive substantial emissions reductions?*

**Background:** Dow has integrated sustainability metrics into its executive compensation structure, but the impact of these incentives on emissions reductions remains unclear. Incentives account for 20% of the company's long-term compensation programme, but the cap on incentive payouts could limit the importance of these environmental goals in favour of financial targets.

**Best Practice:** Establish separate incentives tied specifically to emissions reduction goals/climate transition to ensure that environmental performance is prioritised alongside financial metrics.

### Report Key Takeaways

- Dow aims for carbon neutrality by 2050 with a 15% reduction in Scope 1 and 2 GHG emissions by 2030 from a 2020 baseline. Despite a reported 10.9% emissions reduction between 2020 and 2023, its current strategy is insufficient to position the company in line with science-based targets.
- Over 70% of Dow's emissions come from Scope 3, but the impact of supplier and customer engagements remains undefined.
- The company faces potential annual carbon pricing costs of up to USD 1.9 billion by 2030. While Dow plans to invest USD 1 billion per year in decarbonisation efforts, it remains unclear what actions will mitigate the financial risks tied to climate, and their estimated costs.
- Dow links executive compensation to climate goals, but the cap and weighting of targets raises doubts about the effectiveness of these environmentally linked incentives in driving emissions reductions vs maximising financial growth.

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