

Unilever PLC ^(1/2)



“Unilever has always been a clear leader on sustainability and as an industry benchmark their continued sustainability efforts are crucial for Climate and Biodiversity.”

Herman Kleeven, Senior Portfolio Manager

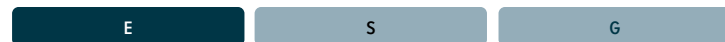
Engagement rationale

Considering the urgent need to address climate change and the necessity to adequately manage the exposure to climate risks, we advocate for Unilever to prioritize the reduction of Scope 3 emissions, which is representing the majority of the company’s carbon footprint. Globally, 22% of greenhouse gas (GHG) emissions are derived from forestry, agriculture, and other land uses.

Background

After publishing the first Climate Transition Action Plan in 2021, detailing climate targets and some key actions to reduce greenhouse gas (GHG) emissions in the business and across the value chain, Unilever has made progress on achieving their climate targets for emissions coming from their operations (Scope 1 & 2). Achieving significant absolute reductions in Scope 3 GHG emissions has proven more challenging for Unilever and the plan to reduce GHG emissions across the value chain remained relatively vague, with an unclear roadmap towards the net-zero ambition by 2039.

Theme for engagement: Environmental – Climate Action



Development

Positive

Milestone



Engagement objectives

- To understand how the company is ensuring to stay on track on their ambition to become net-zero by 2039 and to ask for better scope 3 targets.

Engagement results

- The updated climate transition action plan has seen significant enhancements including following the SBTi FLAG (Forest, Land, Agriculture) guidance and shows a clear path to significant reduction of Scope 3 GHG emissions, including identification of key actions and their %-contribution to a reduction.
- Additional actions planned to take to reduce emissions from forest risk commodities, such as a reduction of other agricultural & processing emissions associated to these commodities beyond deforestation
- Farm level traceability is still very low (no % mentioned), mainly as Unilever does want to continue to work with smallholders where traceability is more challenging. The company does use other tools for mill-level / regional traceability to achieve relatively high degree of confidence of compliance of products and they continue strengthening the depth of monitoring with the aim to increase farm level traceability.

Next steps

- Engagement step 4 (company implements program) reached.
- We will continue to engage with the company to monitor the progress on their Climate Transition Action Plan and additional actions on forest risk commodities and farm level traceability and ensure re-baselining ambition level adapted to ice cream spin off.



Company

Unilever is a British consumer staples company, active in Beauty & Wellbeing, Personal Care, Home Care, Nutrition, and Ice Cream

Country

UK

Sector

Consumer Staples – Personal Care

Market cap

Large Cap

Materiality

As a large consumer staples company Unilever has been the industry benchmark for a long time. They can be a transformational leader in the industry.

ESG Research

MSCI ESG Rating: AAA
Sustainalytics: 22.2 (medium risk)

Engagement initiated

Continuous, Q1 2024

Latest update

Q2 2024

Fund / Mandate

Global Sustainable Equity Fund
European Sustainable Equity Fund
VLKMF Developed Europe



Unilever PLC (2/2)

Engagement rationale

We have also engaged with Unilever on plastic pollution. Unilever has an MSCI Orange Flag on biodiversity and land use. This is mainly due to plastics pollution. According to a 2019 report from Break Free from Plastic (BFFP) Unilever was the fifth biggest polluter of single-use plastics. Unilever has high EM exposure and sells its products in small packages. The plastic sachets have become a major source of pollution, and the company should increase its efforts reduce its plastic distribution in these markets.

Background

Every year we have a continuous collective dialogue with Unilever facilitated by Eumedion, the Dutch corporate governance foundation. This year we have continued our conversations on Corporate Governance: remuneration & strategy, Biodiversity and Climate. This slide describes the Biodiversity engagement, in particular Plastics. We also discussed Zero deforestation. Unilever is struggling to make sufficient progress to reduce plastics pollution, especially in emerging markets.

Theme for engagement: Environmental – Biodiversity

E

S

G

Development

Negative

Milestone



Engagement objectives

- Ask for specific targets to reduce plastic footprint in markets with high leakage into the environment (especially sachets in EM)

Engagement results

- Through a collective engagement via Eumedion, we have had two pre-AGM meetings with Unilever, in which Unilever’s biodiversity policy, zero deforestation and reduction of plastic pollution were discussed. Also, in a 3rd meeting the company’s chair had a meeting with representatives of the collective group of investors.
- Unilever’s individual business units have recently developed unit-specific plastics reduction roadmaps, which each include regional focuses hoping to address especially higher leakage markets. Additionally, the company will do efforts to collect more plastic than sold in particular high-risk regions, eg India, were mentioned with the ambition to tackle the issues in high leakage countries.
- However, Unilever postponed flexible packaging target (100% of flexible packaging to be reusable, recyclable or biodegradable by 2035, compared to the previous 100% of all packaging to be reusable, recyclable or biodegradable by 2025).

Next steps

- The answer provides the opportunity to follow up into regional roadmaps and will be a good starting point to continue to dialogue on flexible packaging.



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