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Climate Transition Action Plan



Unilever

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Foreword

22 March 2021

Dear Shareholder,

The origins of Unilever go back over a hundred years. As we look forward to the century ahead, it is clear that climate change will have a profound effect on the lives of all our stakeholders.

The climate crisis has for too long been misunderstood as a future environmental crisis. It is without question a socio-economic crisis impacting the lives and livelihoods of millions of people today. Climate change impacts harvests, the availability of clean water, and life-threatening extreme weather events are increasingly common. In fact, without decisive action on a global scale, climate change is perhaps the biggest risk to our purpose to make sustainable living commonplace.

In December 2020, the Unilever Board announced its intention to put a Climate Transition Action Plan before shareholders and seek a non-binding advisory vote on the company's ambitious emissions reduction targets and the plan to achieve them. We propose to report annually on progress in implementing the plan, and to submit an updated plan for an advisory vote at the AGM every three years, noting any material changes we have made or propose to make.

Our Climate Transition Action Plan sets out the steps the company will take to reduce emissions to zero within our own operations by 2030 and to net zero across our value chain by 2039. Given that we expect emissions to be priced by governments, we believe that early action to drive aggressive reductions in emissions will lead to a more competitive business overall.

continued...



The plan also details the action we will take to strengthen the climate performance of our brands, whether through innovation to reduce their impact or improving the health of the planet through our Climate & Nature Fund.

Systemic change remains critical to achieving our targets and to the achievement of the Paris Agreement goals, and we have set out the action we are taking to achieve this through public policy advocacy and industry partnerships.

We know the economy-wide shift to net zero emissions will require a greater and deeper level of engagement between companies and their investors. In setting out our plan, we hope this increased level of transparency and accountability will strengthen this dialogue and encourage other companies to follow suit.

As we pursue our bold vision to be the global leader in sustainable business, demonstrating how our multi-stakeholder model drives superior performance, the plan reinforces our confidence that ambitious climate action will create value for our stakeholders.



Nils Andersen
Chairman
Unilever



Alan Jope
CEO
Unilever

Our plan

Our Climate Transition Action Plan sets out a range of targets and actions designed to deliver an emissions reduction pathway consistent with the 1.5° ambition of the Paris Agreement. Our primary focus in the 2020s and 2030s will be on emissions reduction, not offsetting.



 **Net Zero**
by **2039**
across **Scope 1, 2 & Scope 3** emissions

Scope 1 & 2 emissions reduction against a 2015 baseline  **100%**
2030

Scope 1 & 2 emissions reduction against a 2015 baseline  **70%**
2025

Halve the footprint of our products by 2030 against a 2010 baseline

1.5° aligned Science Based Target 

€1 billion Climate & Nature Fund 





Our plan

Net zero GHG emissions by 2039

What do we mean by 'net zero'?

The world is embarking on a 'Race to Zero'. Meeting the Paris Agreement goal of holding the increase in the global average temperature to well below 2 degrees above preindustrial levels, and pursuing efforts to limit that increase to 1.5 degrees, will require an unprecedented global effort to halve greenhouse gas (GHG) emissions this decade, achieve a 'net zero' position by 2050 at the latest and shift to an overall removal of GHGs on an annual basis post-2050.



The United Nations Intergovernmental Panel on Climate Change defines net zero emissions as the point when "anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period."

For Unilever, this means ensuring that the emissions associated with our business and products are reduced towards zero as far as possible, with residual emissions balanced by carbon removals, through either natural or technological carbon sequestration (for example, reforestation or carbon capture and storage), thereby achieving a 'net zero' position.¹

It is important to note that both the goal and the path to get there are critical. That is why we believe it is necessary to have:

- short-term and medium-term science-based GHG emissions reduction targets; and
- a long-term net zero GHG emissions target.

1. For a full definition of net zero, please see the Transform to Net Zero Position Paper <https://transformtonetzero.org/resources/transform-to-net-zero-position-paper-and-action-plan>

Our Climate Targets

Unilever has three principal targets that guide our actions:*

- a **Short-term Emissions Reduction Target:** to reduce in absolute terms our operational (Scope 1 & 2) emissions by 70% by 2025 against a 2015 baseline;
- a **Medium-term Emissions Reduction Target:** to reduce in absolute terms our operational emissions (Scope 1 & 2) by 100% by 2030 against a 2015 baseline; and
- a **Long-term Net Zero Value Chain Target:** to achieve net zero emissions covering Scope 1, 2 and 3 emissions by 2039.[†]

In addition, we have a **Medium-term Value Chain Emissions Reduction**

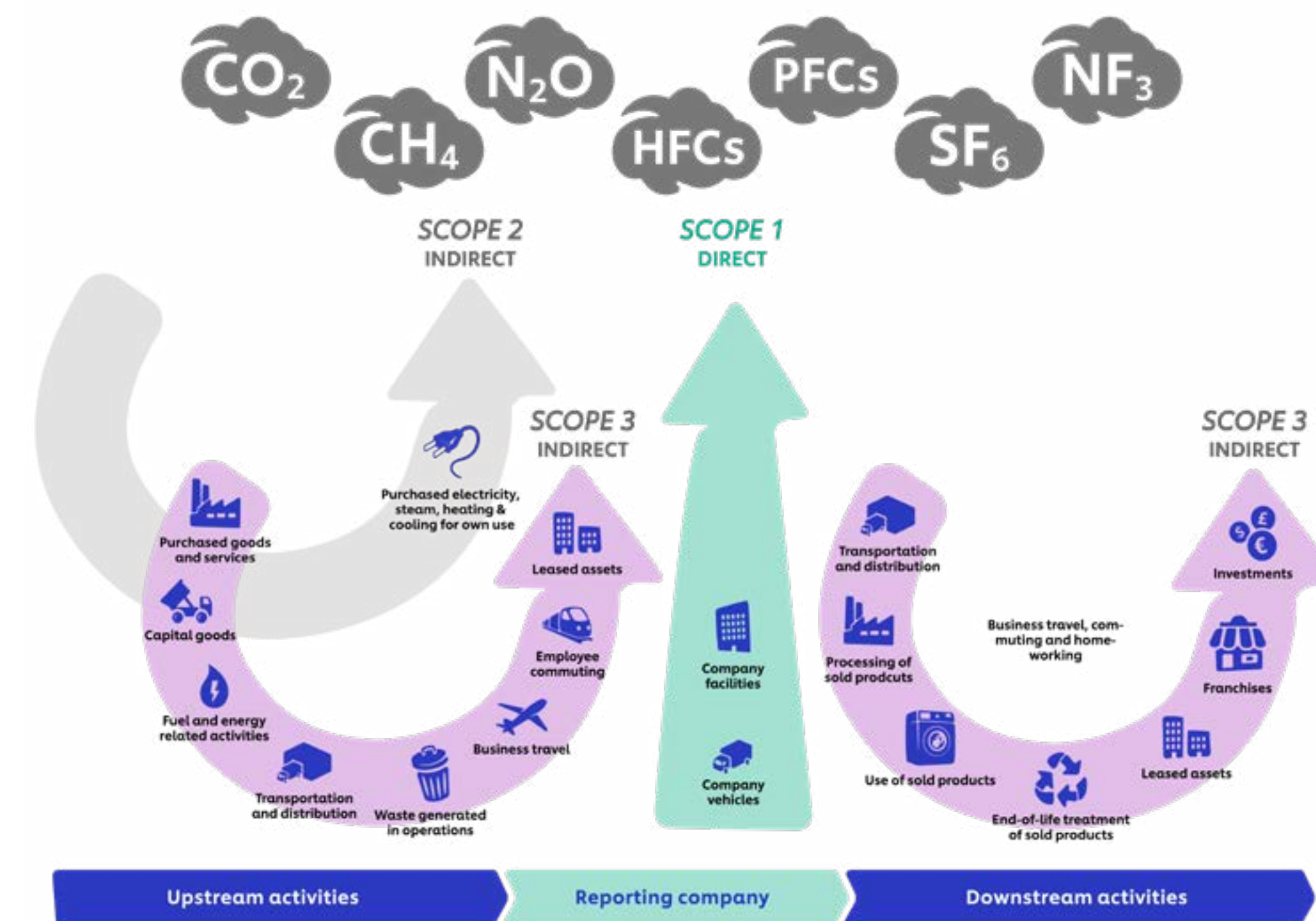
Target: to halve the full value chain emissions of our products on a per consumer use basis by 2030 against a 2010 baseline.

This Medium-term Value Chain Emissions Reduction Target has its origins in the Unilever Sustainable Living Plan – our strategy from 2010–2020. Unlike our other three targets, it is an intensity target, not an absolute target, and helps us to guide innovation and monitor our annual performance.

WRI/WBCSD Greenhouse Gas Protocol Scope 3 Standard (2011)



- * GHG emissions reduction targets typically refer to the WRI/WBCSD GHG Protocol Scope 3 Standard (2011), which classifies emissions according to three scopes: Scope 1 includes direct on-site emissions. Scope 2 includes indirect on-site emissions (e.g. purchased electricity). Scope 3 includes upstream or downstream emissions in the value chain outside a company's own operations.
- + We have defined our Net Zero target with reference to the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Our target covers upstream Scope 3 emissions, Scope 1 & 2 emissions and mandatory downstream Scope 3 emissions.² Mandatory downstream emissions include direct emissions from aerosol propellants and the biodegradation of chemicals in the disposal phase but exclude indirect use-phase emissions, such as emissions associated with the hot water used with our products.



Source: World Resources Institute

2. https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

This target includes indirect use-phase emissions associated with our products (for example, the energy consumed by a washing machine using one of our detergents). Including these emissions can help identify specific climate-friendly innovations (for example, detergents that perform well in cold water). These indirect use-phase emissions can be substantial, typically two-thirds of a product's value chain footprint when they are included in scope.

However, we have learned that beyond our laundry products, the instances in which Unilever can drive emissions reduction in this area are limited. For example, we control neither the consumer's choice of energy supplier nor the eco-efficiency of appliances in the home. Decarbonising the energy grid is likely to get results faster than attempts to change consumer preferences. This has been a significant lesson learned from our ten-year journey with the Unilever Sustainable Living Plan.



Under the GHG Protocol, indirect use-phase emissions are an optional part of a company's Scope 3 emissions. While the Science Based Targets initiative^A encourages companies to consider them, they are also clear that they do not form part of a company's mandatory Scope 3 emissions and that their inclusion is above and beyond a company's Scope 3 targets.³ Therefore, while we continue to include indirect use-phase emissions in our Medium-term Value Chain Target, we have excluded them from the scope of our Net Zero Target.⁵ This will help ensure that we have an understanding of these emissions, while focusing the business on reducing emissions in areas within our sphere of influence.

This approach also appears to align with emerging investor sentiment. The published benchmark from the Climate Action 100+ investor coalition, representing \$52 trillion of assets under management, only considers Scope 3 emissions from purchased goods and services to be in scope for companies in the consumer goods sector.⁴

Unilever will continue to advocate for an accelerated energy transition which will help reduce indirect emissions in consumers' homes, as well as accelerating progress in other areas of our value chain.

We will also continue to drive consumer behaviour change in areas of our business where it makes sense to do so, such as helping consumers lower their GHG footprint by reducing food waste, choosing plant-based foods, or providing transparent information about the GHG footprint of the products that they purchase.



Δ The SBTi is a partnership between CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It is the lead partner of the Business Ambition for 1.5°C campaign – an urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilising companies to set net zero science-based targets in line with a 1.5°C future. The SBTi defines and promotes best practice in emissions reductions and net zero targets in line with climate science.



§ In this document, references to Unilever's value chain GHG footprint will refer to this definition of Scope 1, 2 and 3 emissions, excluding indirect use-phase emissions, unless otherwise stated.

3. <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf> pp.10-11

4. <https://www.climateaction100.org/wp-content/uploads/2020/12/Net-Zero-Benchmark-Indicators-12.15.20.pdf>



External validation of our targets

Our **Medium-term Emissions Reduction Target** and our **Medium-term Value Chain Emissions Reduction Target** have been formally approved by the Science Based Targets initiative (SBTi), a multi-stakeholder climate initiative. This means that they have assessed the targets against the emissions reduction pathways necessary for the world to limit global average temperature rise 2 degrees above preindustrial levels and found them to be consistent with that outcome.

In addition, the **Medium-term Emissions Reduction Target** has been approved by the SBTi as consistent with the 1.5-degree ambition of the Paris Agreement.

The Science Based Targets initiative recently issued a public consultation on a framework for assessing net zero targets. Unilever is actively engaged in that consultation.



How our targets guide our action

Our suite of targets is designed to guide our approach, which we propose will be as follows:

- In the 2020s and 2030s, our primary focus will be emissions reduction across our value chain, consistent with the 1.5-degree ambition of the Paris Agreement.
- We will not seek to meet our emissions reduction targets through the practice of purchasing and retiring carbon credits, known as offsetting.
- By 2039, and from then onwards, we will ensure that any residual emissions are balanced with carbon removals to achieve and maintain our net zero emissions target.

We provide more detail on the role of carbon credits, offsetting and carbon removals on pages 12 and 13.

The Unilever Climate & Nature Fund

The world cannot wait until 2039 to begin the work of investing in nature and protecting tropical forests that, once gone, will be lost forever. In fact, research has shown that natural climate solutions could provide up to 37% of the emissions reductions the world needs by 2030 to stay on track for the Paris Agreement goals.⁵ Our brands will play their part through our €1 billion Climate & Nature Fund by investing in projects that positively address climate change and protect nature, for example, through forest protection and regeneration.

We expect that the business cases for such investments will be grounded in how these projects are brought to life with consumers, driving preference for our brands. However, some of these projects may generate carbon credits, and brands may seek to use those credits to support consumer-facing claims of 'carbon neutrality'. Where this happens, this would be in addition to making progress towards our emissions reduction targets, not a means of achieving them. On the following page, we explain why.



5. <https://www.pnas.org/content/114/44/11645>

Our view of carbon credits and offsetting on the journey to net zero

In order to help investors and other stakeholders understand our position on carbon credits and offsetting, we have set out a summary here:

Internationally recognised and verified carbon credits can be generated from actions that avoid, reduce or sequester greenhouse gas emissions.

There is growing societal interest in the role they might play in achieving the Paris Agreement goals.



According to the Science Based Targets initiative, there are two broad categories of carbon credits:

- Compensation: credits generated by action to avoid or reduce emissions outside of a company's value chain. This can include protecting forests that would have been cut down or introducing energy-efficient cookstoves that reduce emissions.
- Neutralisation, often known as carbon removals: credits generated through direct removal of GHGs from the atmosphere. This can include planting new trees that sequester carbon, or technological solutions such as direct air capture with the carbon sequestered underground.

Compensation credits can be a source of much-needed funding for activities that avoid or reduce GHG emissions compared to a business-as-usual scenario. The sale of avoided emissions credits, in particular, can provide an income stream to farmers to incentivise the urgent protection of natural capital such as tropical forests in the absence of regulatory frameworks that require it.

However, some civil society stakeholders are concerned that offsetting “unavoidable” emissions with compensation credits simply legitimises business-as-usual growth in emissions. This risks delaying the urgent action required to address more systemic transformations in companies' business models and value chains.

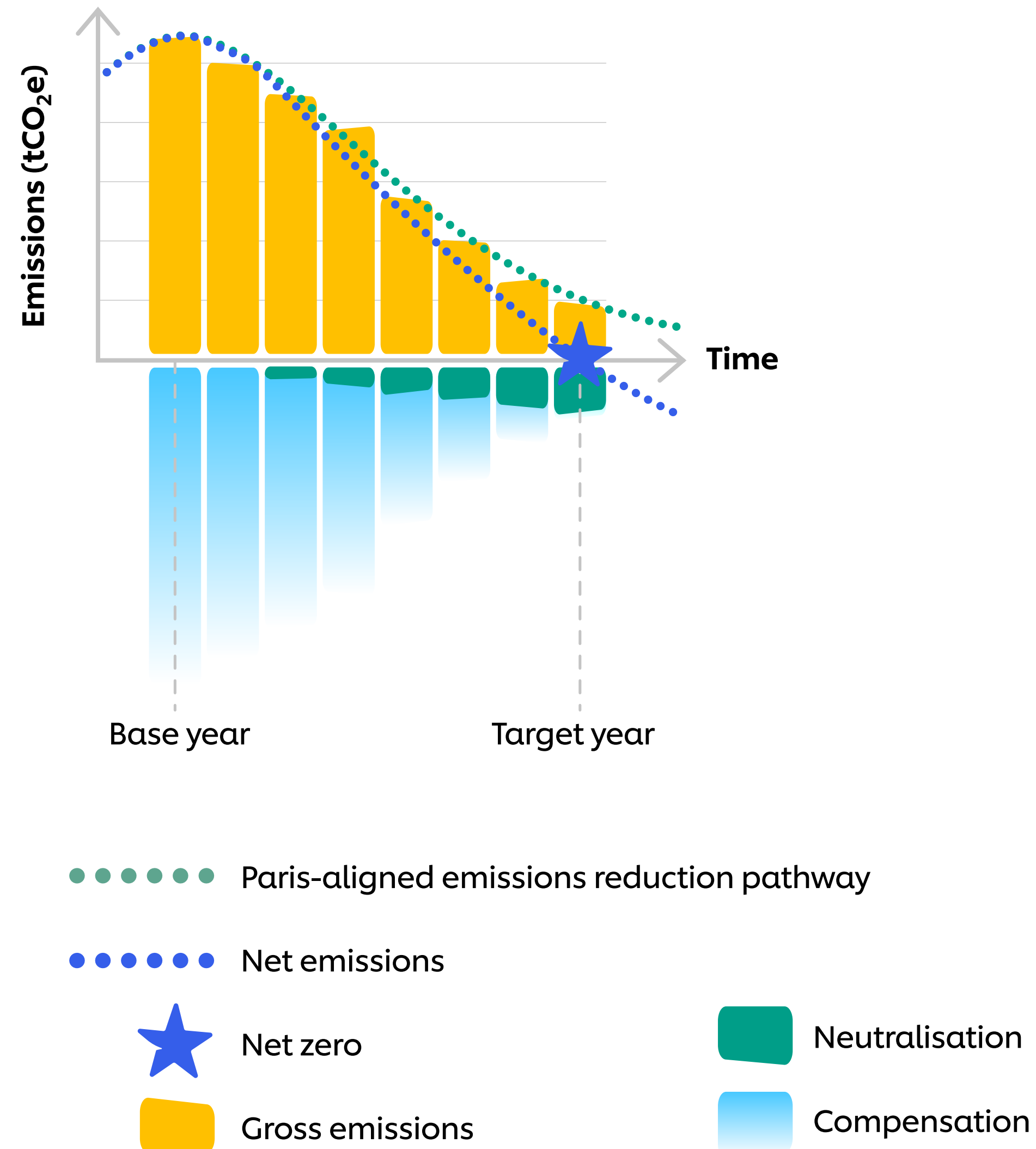
This practice is attractive to some companies because it can be cheaper to purchase compensation credits from outside a value chain than to tackle the more fundamental transformations within it. But by delaying these transformations, the world may miss the window to limit global temperature rise to 1.5 degrees above preindustrial levels.

Unilever believes it is not an either/or question. Credible net zero strategies must lead with science-based emissions reductions pathways, complemented with carbon removals when all feasible reductions have been implemented.

At the same time, the world must find business cases to support increased investment in the earth's natural carbon sinks, such as the world's tropical forests.



The journey to net zero



The graph to the left illustrates what a combination of emissions reductions, optional compensation and eventual neutralisation with carbon removals could look like.

The graph shows both the gross and net emissions reductions consistent with the Paris-aligned pathway. It illustrates net zero as the state at which a company's emissions to the atmosphere are balanced with carbon removals from the atmosphere.

Unilever has committed to reaching Net Zero by 2039.

We have committed to reducing gross emissions in our value chain in line with the Paris-aligned trajectory to 2030, and we have committed to balancing residual emissions by 2039 and from then onwards with carbon removal credits.

We are at the start of the net zero journey and have not yet established the extent to which we can reduce our gross emissions by 2039, and therefore the level of balancing carbon removals required. This is work in progress.

Neither have we committed to a defined compensation pathway. However, our brands may invest in compensation and neutralisation well ahead of 2039 through the €1bn Climate & Nature Fund, where those actions can be used to drive consumer preference. For example, our Beauty & Personal Care division has committed to help protect and regenerate 1.5 million hectares of land, forests and oceans by 2030.

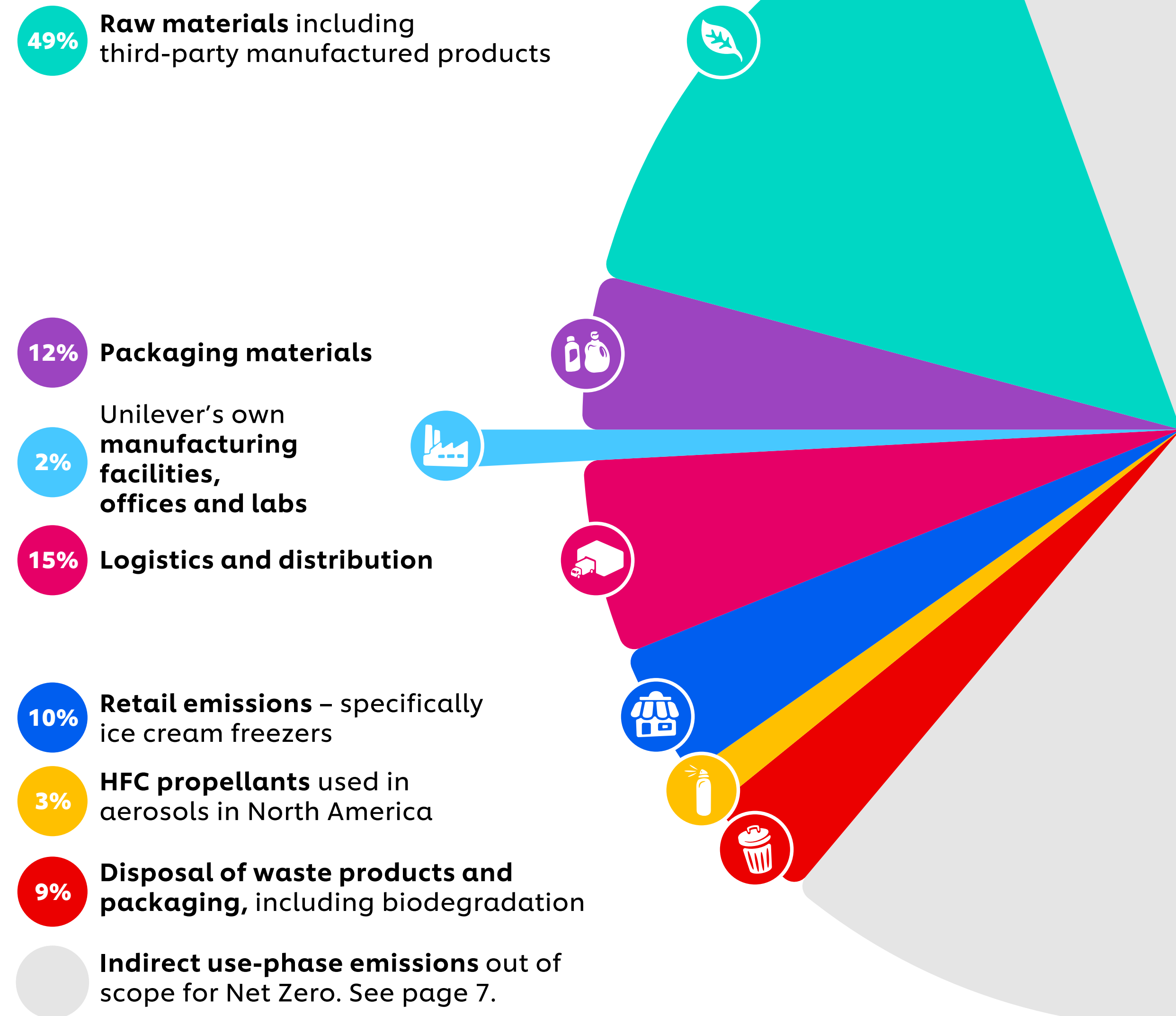


Unilever’s greenhouse gas footprint today

We estimate that our annual value chain greenhouse gas emissions (Scope 1, 2, & 3, excluding indirect use-phase emissions, shown in grey in the diagram on the right) are approximately 32 million tonnes of CO₂e.[±] This figure is broken down in the diagram on the right.

Of these categories, Unilever’s own manufacturing facilities, offices and labs form our Scope 1 & 2 footprint. The remaining emissions form our Scope 3 footprint.

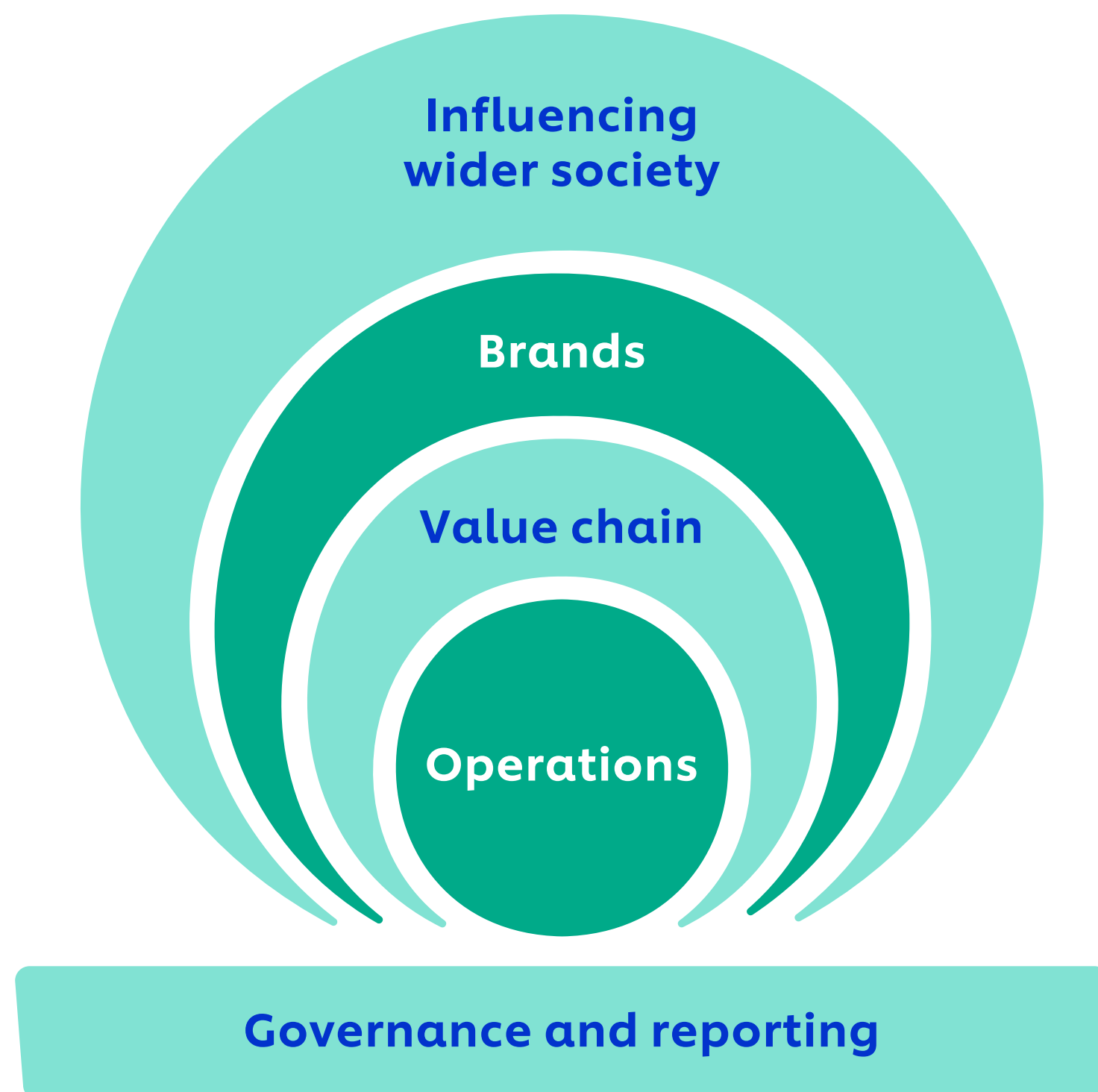
± How we calculate our GHG footprint
 Since 2010, Unilever has provided detailed public reporting on a representative subset of our total portfolio measured in 14 countries known as the ‘Unilever Sustainable Living Plan Footprint’. This subset of our portfolio gives us a high degree of confidence of the end-to-end emissions profile of around 60–70% of our total global portfolio and has enabled us to track our product GHG footprint at both absolute and intensity (emissions per single use of a product) over time. We have conducted a simple extrapolation from this footprint to derive an initial estimate of our current greenhouse gas footprint (excluding indirect use-phase emissions) in order to establish our net zero goal.



How we are going to get there: Unilever's Climate Transition Action Plan

Unilever's approach to sustainability covers activities within our operations, our value chain, our brands as well as our work to influence wider society. Achieving our net zero by 2039 (and interim) targets will require a range of actions that can be categorised using this model.

Unilever's approach to sustainability



Our first ambition is to eliminate emissions from our own **operations**. This is a small share of our value chain emissions but represents those over which we have direct control.

Along our **value chain**, we have opportunities to reduce emissions from our current product portfolio through targeted interventions both up and downstream – for example, by encouraging suppliers to set their own science-based targets and working with logistics partners to shift to lower emission transport options.

Perhaps even greater opportunities come from strategic integration into our **brands**. Innovation programmes can drive the redesign of our products in ways that reduce emissions. This can be through concentrating or compacting our products, or developing new lower emission ingredient substitutes, which can have a significant impact on our ability to reduce value chain emissions.

But with the lion's share of our value chain emissions falling outside of our direct control, societal change remains critical to achieving our targets and to the achievement of the Paris Agreement goals. **Influencing wider society** is, therefore, an integral part of our plan.

Our whole plan is held together by a commitment to transparent **governance and reporting** at a Group level, and increasingly by engaging with consumers, for example, through our ambition to communicate the carbon footprint of every product we sell.

In the following sections, we provide details of the action we aim to take in each of these areas.

Our operations

Our first ambition is to eliminate emissions from our own operations. This is a small share of our value chain emissions but represents those over which we have direct control. As we achieved our 100% renewable grid electricity target in 2020, our focus is now on the transition to renewable heat sources, increasing energy efficiency, and reducing refrigeration emissions.

100% renewable
grid electricity
(achieved January 2020)



Transition to **100%**
renewable heat by 2030

Eco-efficiency
programmes to
reduce energy demand

Align capital
expenditure
with our
1.5°
pathway



Phase out high-impact
HFC refrigerants
from cooling systems

Halve
food waste
in our operations
by **2025**





Our operations

Emissions from our factories, offices and labs

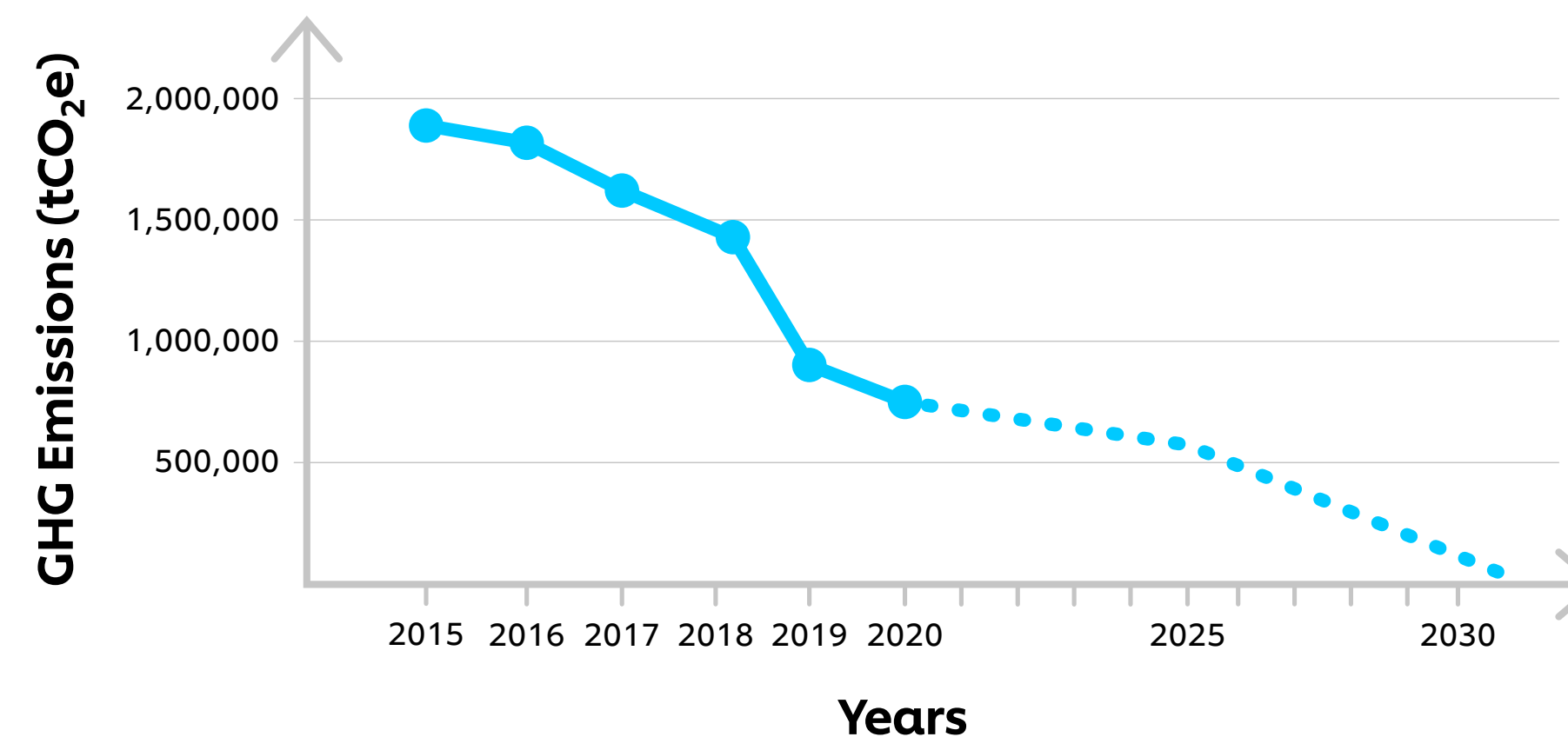
The emissions from our factories, offices and labs make up approximately 2% of our footprint.

We aim to take the following actions to support our goal to achieve zero emissions in our own operations:

- Continuously optimise our energy demand through energy efficiency programmes.
- Transition energy sources to renewables. Our worldwide grid electricity is now 100% sourced from renewable sources. Next, we aim to transition heating sources (typically fossil fuel burning boilers) for manufacturing sites, offices and labs to renewable energy sources.
- Eliminate any remaining residual high global warming potential (GWP) HFC refrigerants from our cooling systems, retrofitting or replacing them with low GWP refrigerants such as hydrocarbons, ammonia and CO2.
- Halve food waste in our operations by 2025.

In setting a target to reach zero emissions by 2030, we have assumed that the conversion of gas-fired boilers to biomass will reduce Scope 1 emissions to zero, based on IPCC guidance for the treatment of biomass emissions. We recognise that there is a societal debate on biomass as a zero-emission fuel source. Were the guidance to change to prevent biomass being counted as zero-emission, this could impact our ability to achieve a 100% reduction by 2030. However, thanks to the decarbonisation achieved through renewable electricity and other renewable thermal technologies (for example, solar thermal), we believe our emissions reduction by 2030 would still be consistent with the 1.5-degree ambition of the Paris Agreement.

Absolute Scope 1 & 2 emissions reduction



How we will reduce our emissions





Longer-term, we believe that hydrogen will have an important role to play. We are actively engaged in a pilot at our Port Sunlight site in the UK, in partnership with Progressive Energy, to demonstrate that hydrogen can be used as a fuel for industry. According to the Energy Transitions Commission,⁶ for green hydrogen (generated through electrolysis powered by renewable electricity) to reach its potential, the global renewable electricity capacity needs to increase 4-6 times vs today's level. This is another reason we support an accelerated roll-out of renewable electricity infrastructure and policy measures that support this (See "Our wider influence on society" section below).

The capital investment required to meet these targets is not expected to be incremental to Unilever's regular capital investment programme. Rather, our investment strategy will require an accelerated shift to new technologies that reduce or eliminate GHG emissions.

Over the past five years, we piloted different carbon pricing schemes including a programme that 'taxed' divisional capital expenditure budgets in order to create a centrally managed Low Carbon Fund. The fund was used to accelerate clean technology investment at our sites. We have decided to replace this programme with an explicit commitment to ensure that future capital expenditure is aligned with the Paris Agreement's objective of limiting global average temperature rise to 1.5 degrees.

6. https://www.energy-transitions.org/wp-content/uploads/2020/08/ETC_MissionPossible_ReportSummary_English.pdf

Our value chain

Along our value chain, we have opportunities to reduce emissions from our current product portfolio through targeted interventions, both upstream and downstream of our operations. Our primary focus areas are our raw and packaging materials, our logistics and distribution networks, and reducing emissions from business travel, ice cream cabinets, aerosol propellants and plastic packaging.



Integrated GHG roadmaps for all key materials and ingredients



Estimated **40-50%** reduction in logistics emissions by 2030



100% EVs or hybrids in our global car fleet by 2030



Zero deforestation by 2023 in palm oil, tea, soy, cocoa and paper & board



At least 25% **Recycled plastic** by **2025**




Reduce emissions from **aerosol propellants** in North America




Raw materials

Unilever’s raw materials, including third-party manufactured product, account for 49% of our value chain emissions. These will therefore become the primary focus of our emissions reduction efforts over the next decade. These emissions are related to the growing, extraction and processing of the materials and ingredients we buy. The bulk of these emissions arise in a small subset of materials and ingredients we use to make our products. These include:

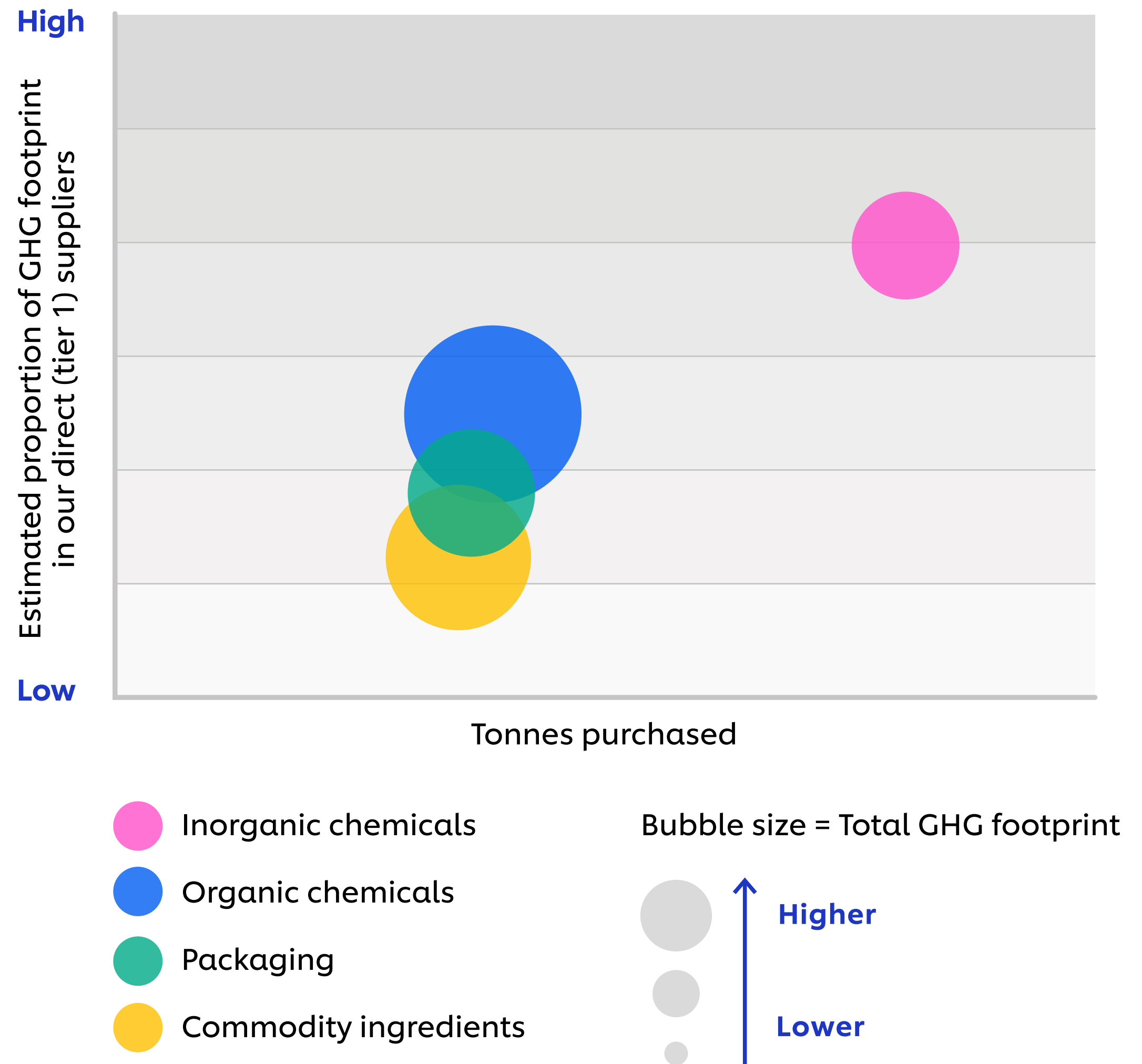
 Inorganic chemicals, such as soda ash (a laundry product ingredient)

 Organic chemicals including surfactants (which improve detergent performance), such as Linear Alkyl Benzene (LAB) and Linear Alkyl Benzene Sulfonate (LAS)

 Agricultural commodities, such as palm oil and dairy

 Packaging materials (plastics, paper & board, metals, glass)

Relative greenhouse gas footprint of our ingredients and packaging materials



Our approach to GHG emissions reduction in our upstream supply chain integrates strategic sourcing, supplier eco-efficiency, product design and transformational aspects on a portfolio level. This approach builds on evidence provided by lifecycle analysis and databases, and verified data obtained from suppliers (where this is available).

We plan to put in place integrated GHG reduction roadmaps for all key materials and ingredients of significant impact to Unilever's upstream Scope 3 GHG footprint, which we will embed in our ongoing relationship and performance management with suppliers. The learning and capacity building required to reduce emissions is significant and we anticipate that this journey will take time.

We have piloted this approach with our inorganic chemicals portfolio and identified a near halving of our GHG footprint against a 2010 baseline realisable over ten years. In that portfolio, we believe this can be achieved through a combination of R&D activities, supplier selection and supplier GHG reduction efforts, which will include switching to renewable energy as well as process improvements. This pilot suggests that the greatest emissions reduction gains in the short term can come from changes in formulations and material selection, followed by supplier selection and supplier decarbonisation efforts.

In 2020, we joined forces with other companies such as BT Group and IKEA to launch the 1.5°C Supply Chain Leaders with the Exponential Roadmap initiative. Through this coalition, we sent a clear signal of our intent to prioritise partnerships with suppliers who had set their own science-based targets.

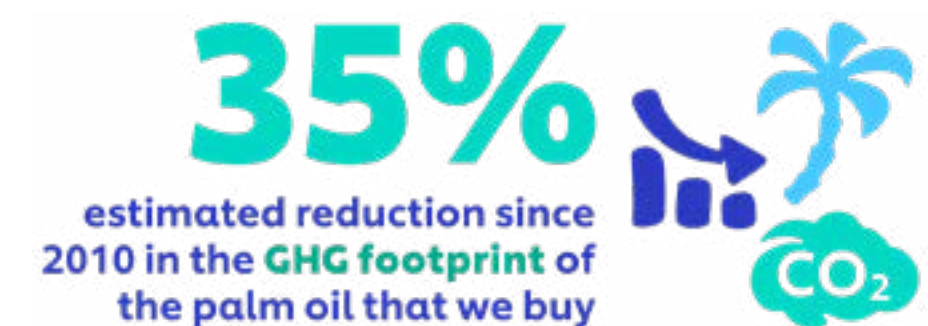


The 1.5°C Supply Chain Leaders was initiated by the Exponential Roadmap Initiative together with founding partners Ericsson, IKEA, Telia, BT Group and Unilever and will support SMEs globally through the SME Climate Hub. Its members also include Nestlé and Telefonica.

Through our own manufacturing sustainability work, we found that concerted efforts to reduce emissions from our operations have become cost-neutral over time. Where on-costs do occur, they are often balanced by eco-efficiency savings identified. Therefore, we believe that through engaging our suppliers, we will be able to find carbon savings over time that are cost-neutral.

However, many emissions sit further up in the supply chain beyond our direct suppliers, associated with industrial or agricultural processes where the emissions are harder to remove or avoid. As part of our plan, we intend to work through and with others to support the acceleration of more systemic changes to the industrial and agricultural systems on which our operations depend.

This will build on our long-standing work on tropical forest commodities such as palm oil, where the implementation of our sustainable palm oil sourcing commitments has contributed to an estimated 35% reduction since 2010 in the GHG footprint of the palm oil that we buy.





Our commitment to end deforestation in key commodity crops

In 2020, we announced a new zero deforestation target covering our key commodity crops – palm oil, paper & board, soy, cocoa and tea – committing to end any deforestation linked to these crops in our supply chain by 2023. We have made our requirements clear in being the first to launch a cross-commodity “People and Nature Policy” in December 2020. Our commitment now extends beyond forests to protecting natural ecosystems like the Brazilian Cerrado and covers suppliers and their group operations. This goes further than our desire to simply reduce our own value chain footprint and supports a shift in the industry as a whole towards a pathway consistent with the Paris Agreement targets.

Our action to end deforestation drives a transformation in how and with whom we partner in our extended supply chains. We intend to deliver a transparent and traceable supply chain, ensure we understand the specific origin of the materials that we purchase while leveraging our technology partnerships to assure that the origin is free of deforestation. This transparency of the “first mile” of a commodity’s journey through a supply chain is critical to ensure we can independently verify its deforestation-free status.

By directing our sourcing footprint to areas and jurisdictions which are assured to be free of deforestation, we will further lower our GHG footprint and drive additional GHG reduction programmes.





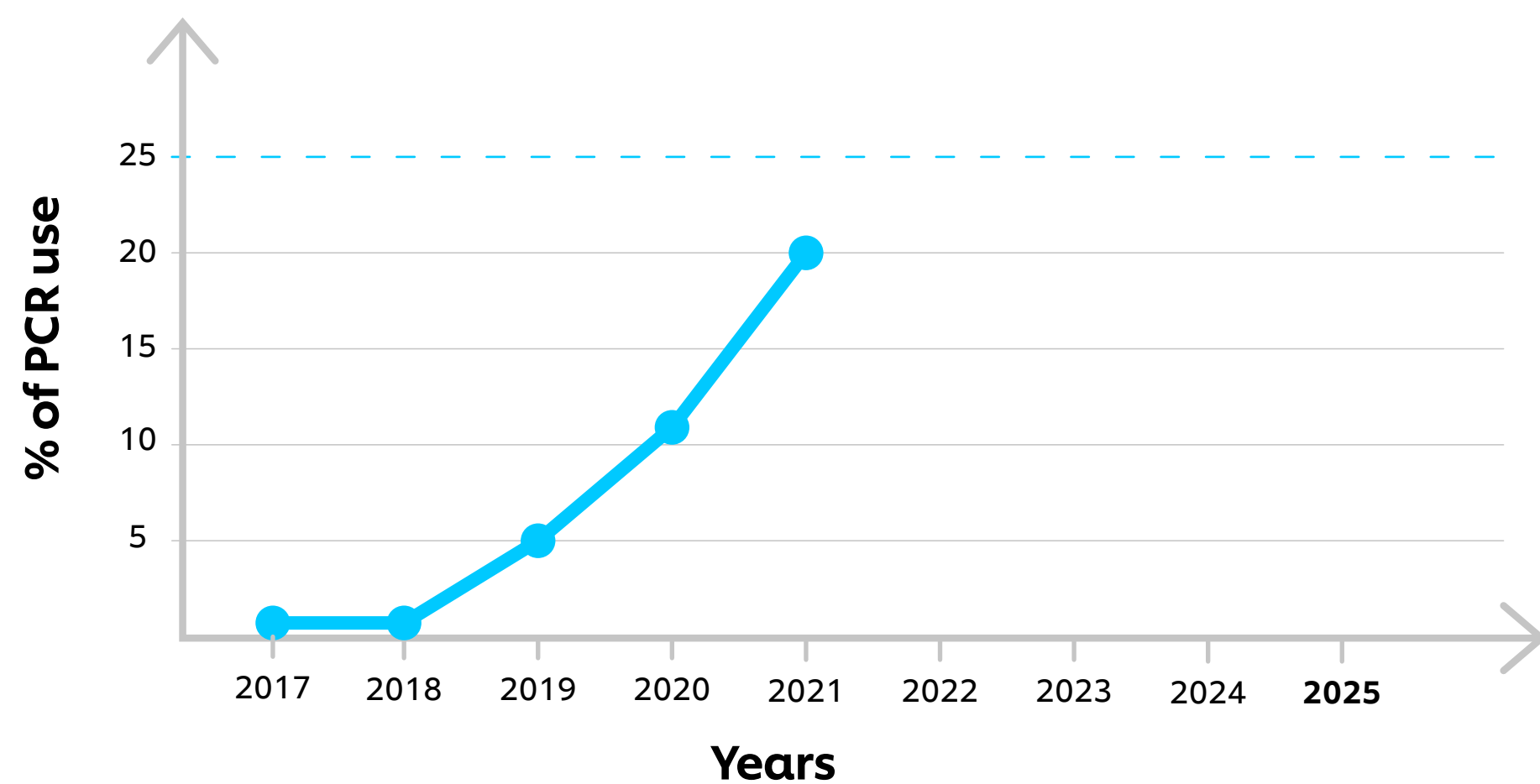
Packaging materials

Packaging materials (for example, plastics, paper & board, metals, glass) comprise 12% of our GHG value chain emissions footprint. Paper & board, metals and glass are widely recycled around the world, and we seek to reduce emissions through packaging design and supplier engagement. Our emissions reduction targets have driven a shift to plastic materials which typically have a lower GHG footprint. However, issues of recyclability and plastic pollution in nature are a growing societal concern, and we have set ambitious targets in the areas of plastic reduction, reuse and recycling.

Specifically, we have committed by 2025 to:

- Reduce our use of virgin plastic packaging by 50% (against a 2018 baseline),⁷ of which more than 100,000 tonnes will come from an absolute reduction.
- Help collect and process more plastic packaging than we sell.
- Make 100% of our plastic packaging reusable, recyclable or compostable.
- Use at least 25% post-consumer recycled (PCR) content in our plastic packaging.

Percentage of PCR use



These goals drive investment and innovation in reuse and refill business models, 'naked' products, alternative materials, concentration, light-weighting and recycled (non-virgin) plastic. Unilever remains the only major global consumer goods company to publicly commit to an absolute plastics reduction across its portfolio.



Achieving these targets will require improvement in waste management in many of the countries in which we operate. Therefore, in addition to our commitment to increasing our purchasing of PCR content, we will:

- Invest and partner to improve waste management infrastructure (collection, sorting and processing).
- Participate in extended producer responsibility schemes where Unilever directly pays for the collection of its packaging.

Our most significant impact opportunity is in our sourcing of PCR plastic. We estimate that mechanically recycled plastic has a 50% lower GHG footprint than virgin plastic. We expect to surpass our goal of 25% PCR in advance of 2025.

Further emissions reductions can be achieved through a shift to reusable and refillable packaging. Our ambition is to change the way we do business, shifting from single-use to multiple-use packs by investing in new business models.

To make this shift, we also need other stakeholders to invest in these solutions, engage citizens around the experience and educate them on the benefits of changing the way they buy. Governments have a critical role to play when it comes to setting standards for these systems and incentivising investment. These factors will have a significant impact on the acceptance and acceleration of reusable and refillable packaging.

7. The baseline period is the 12 months to 30 June 2018



Logistics and distribution

Our logistics and distribution footprint accounts for approximately 15% of Unilever’s GHG footprint. It covers transport from suppliers to manufacturing units, manufacturing units to distribution centres (DCs) and from DCs to customers. The vast majority of our logistics emissions (>90%) are attributable to our logistics suppliers and therefore form part of our Scope 3 footprint.

We achieved our 2020 target of 40% improvement in CO2 efficiency of our global logistics network (against a 2010 baseline) one year ahead of schedule. This achievement was primarily driven by reducing distance travelled and improving truck utilisation, reducing the total number of trucks used. While there is some more opportunity in this space, we now need to accelerate the transition to zero emissions transport solutions.





Our logistics and distribution plan has six areas of focus:

- Decreasing distance travelled through network redesign, including collaboration with our customers and suppliers.
- Additional use of intermodal solutions – for example, the use of railways to reduce demand for long-distance trucking.
- Hydrogen Fuel Cell and Battery Electric Vehicles (BEVs) for long haul heavy-duty transport and BEVs for short-haul transport.
- Alternate fuels – developing partnerships to explore lower carbon transition fuels, such as bio-liquified natural gas and renewable natural gas (biogas).
- Cold chain – using cleaner and newer technologies for our refrigerated and frozen deliveries.
- Last-mile delivery solutions – to measure and reduce the emissions from customers’ own distribution centres to store shelves and to consumers’ homes in the case of direct to consumer eCommerce.

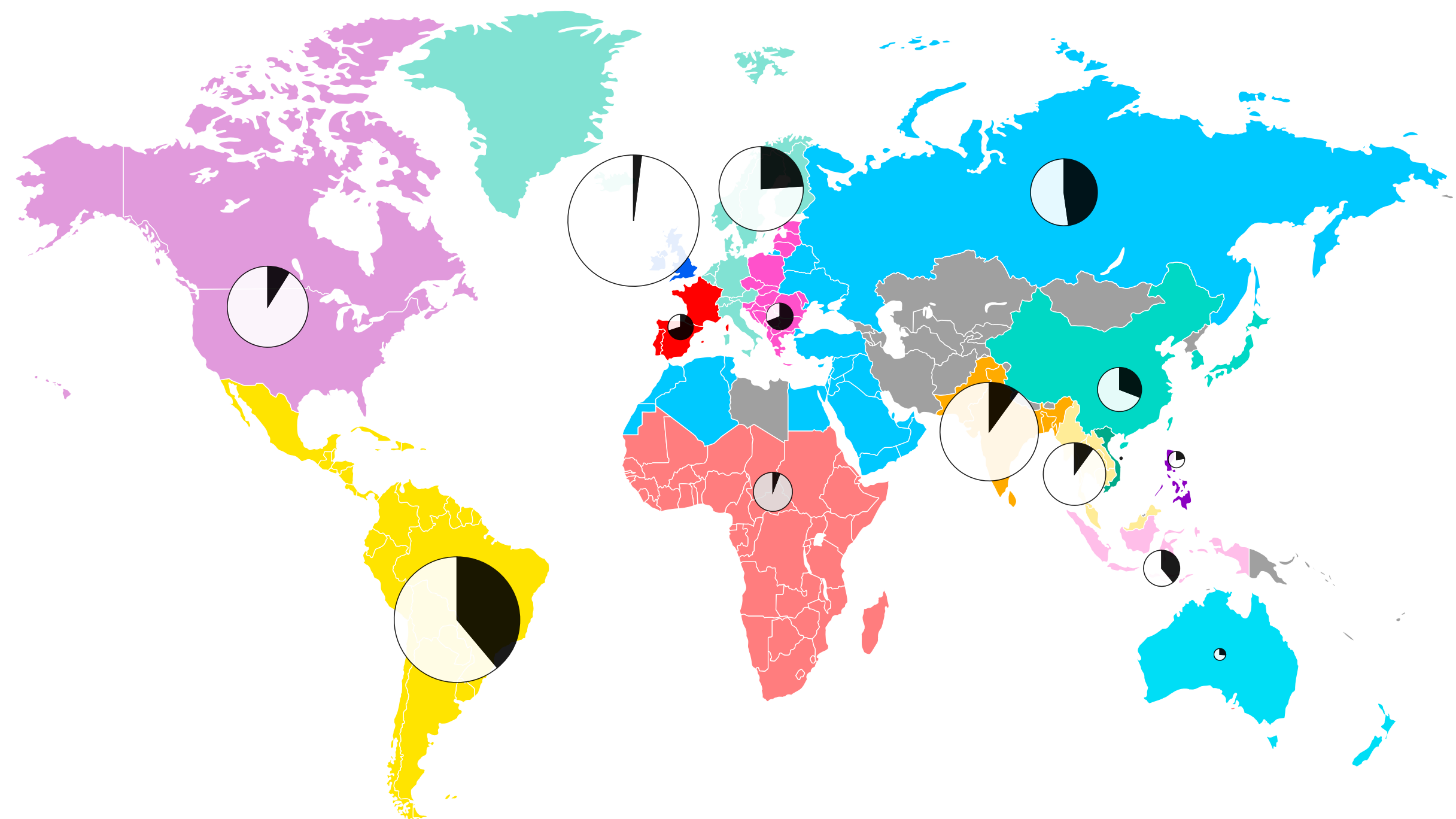
We believe that a combination of these approaches could deliver an additional 40–50% reduction in GHG emissions from our logistics and distribution network over the next decade. Our customers may be able to achieve similar reductions within their own store delivery networks.

The relative share of our 40-50% absolute reduction that we believe we can deliver through each of our six focus areas



- Alternate fuels
- Cold chain
- Last-mile delivery solutions
- Decreasing distance travelled
- Additional use of intermodal solutions
- Hydrogen Fuel Cell and Battery Electric Vehicles (BEVs)

Travel and fleet emissions by market



- Total travel and fleet CO₂ emissions
- Percentage of fleet CO₂ emissions

*car fleet emissions for South Asia and Vietnam are estimates only.

Business travel, commuting and homeworking

Emissions from business travel have historically been outside of the scope of our emissions reduction targets, as they have not been considered part of our product-centric value chain footprint. However, much progress has been made in understanding and reducing our footprint, and business travel emissions will be part of our net zero target scope going forwards.

Our current programme focuses on business travel and the transition to electric and hybrid vehicles in our worldwide fleet.

Activities include:

- Reducing the need for travel, particularly air travel, through efficient use of technology.
- An electric vehicle (EV) roadmap to deliver 100% EVs or hybrids in the Unilever car fleet by 2030.

We do not currently measure the impact of our employees commuting and working from home. However, we are exploring this by extending our emissions reduction strategy for offices to include baselining and support for working from home, leveraging the learnings and best practices during the pandemic.

CLIMATE GROUP
EV100



Retail emissions – specifically ice cream freezers

Retail emissions account for 10% of Unilever’s value chain GHG footprint. Unilever owns a fleet of over 3 million point-of-sale freezer cabinets. These freezers are typically set to a temperature below -18 degrees. The energy consumed is responsible for a significant proportion of the ice cream GHG footprint and, as such, a key focus of our efforts.

We aim to take the following actions to reduce these emissions:

- Continue to reduce cabinet energy consumption through innovation of the main technical components – compressors, natural refrigerants, fan motors, insulation, temperature controllers and glass panels.
- Prioritise the deployment of the most energy-efficient units into markets with the highest carbon intensity factors.
- Work towards ‘warming up’ the cold chain while protecting the consumer experience as a next step in reducing energy consumption.
- Explore programmes that will enable the freezers to be powered by renewable electricity, even where Unilever is not directly operating them.

Innovation in aerosol propellants

Aerosol propellants in North America account for approximately 3% of Unilever's GHG footprint. Around the world, Unilever uses natural hydrocarbon propellant gases as its preferred propellants in hairsprays, body sprays and deodorant. However, in the US, regulations often restrict or prohibit their use. Instead, it is industry practice to use low global warming potential (GWP) hydrofluorocarbon (HFC) propellants. Reducing the need for such propellants is an important step in reaching our climate goals.

A regulatory change in the US to permit the use of hydrocarbon propellants would be our first-choice solution, and we are engaging with regulators to explore how lower impact formulations might be permitted in future. Even in the absence of regulatory change, we are exploring several actions including:

- The use of compressed aerosol technology to reduce the amount of HFC propellant necessary.
- The innovation of new aerosol technology that works with compressed air or other gases.

It can take time for new technologies to be widely accepted by consumers used to particular formulations, but we are optimistic that solutions can be found.

lighter than air,
same clean hair





Emissions from disposal of waste products and packaging, including biodegradation of product formulations

Emissions from the disposal of waste products and packaging, including the biodegradation of product formulations after their use, account for 9% of our value chain footprint. This is primarily driven by emissions from the incineration of plastic packaging at end of life (where not recycled) and the biodegradation of fossil-fuel-based ingredients in our products.

Our actions to address this footprint are our plastic packaging commitments and actions described above, and our innovation programme that seeks to replace fossil-fuel based carbon with recycled or renewable carbon. This is described in more detail below, in the section 'Recycled and renewable carbon in formulations'.



Our brands and products

Our brands and products are the very core of our business. Delivering our climate targets requires us to integrate emissions reduction goals into our innovation plans. We also believe that brands that can demonstrate to consumers the steps they are taking to minimise their footprint and improve the health of the planet will be well-positioned to succeed.

The actions described here are led by our brands and product divisions. They support Unilever's Climate Transition Action Plan by reducing our value chain footprint, strengthening our brands' position in the marketplace or helping consumers reduce their own footprint – or a combination of all three.

Up to **60%**
reduction in product GHG
emissions through
**concentration and
compaction**



€1 billion annual
sales from
plant-based
meat and dairy
alternatives by
2025-2027

Help protect
and regenerate
1.5 million hectares
of land, forests and
oceans by **2030**



Replace fossil-fuel derived
carbon with **renewable or
recycled carbon** by **2030** in
home care formulations

Cut emissions from
energy use in
3 million+
point of sale
ice cream cabinets



Share the
**carbon
footprint**
of every product we sell



Concentration and compaction

Our industry-leading efforts to remove or reduce the use of certain materials such as inorganics and surfactants, and compact our products, have been a significant source of emissions reduction over the last decade and continue to offer significant emissions reduction opportunities. These efforts require fundamental changes to the chemistry – and often the packaging – of our products in order to deliver a compelling consumer experience. Not only does using more compact products mean their footprint is often significantly lower, but compacting our products by design is also an essential step in making our products fit for eCommerce and delivering financial savings.

We believe that we can reduce the emissions of some of our products by up to 60% through concentration and compaction and have plans in place across our Home Care categories to do so. The plans aim to support our efforts to:

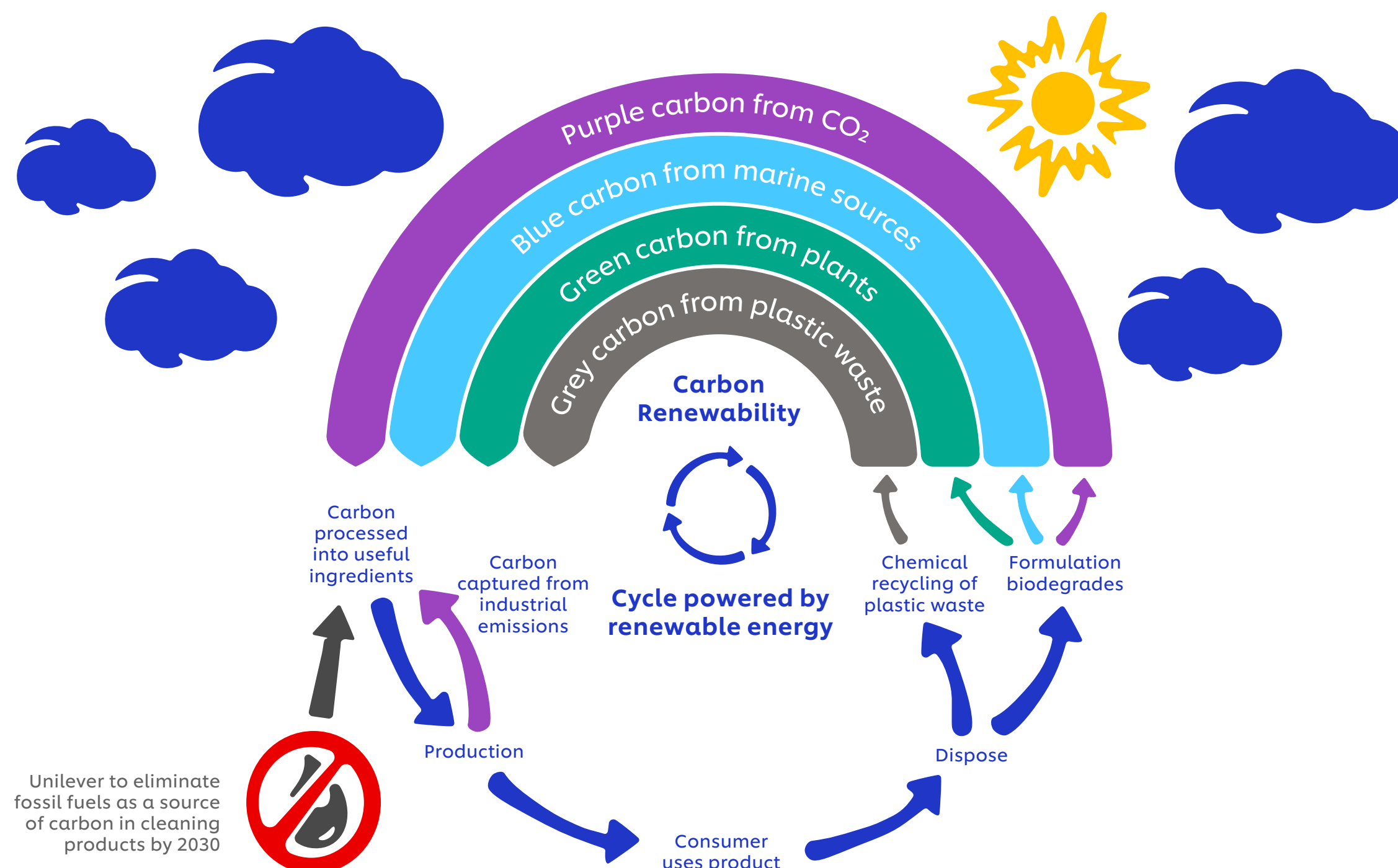
- Develop weight-efficient chemical formulations for all laundry liquids, laundry powders.
- Innovate ultra-concentrated laundry liquid and fabric conditioners.
- Create a range of dilutable products – such as Cif eco refill and Omo Dilutable – across brands and geographies.
- Create new, disruptive formats that go beyond what is currently possible in terms of concentration and reduction in the use of plastic.

60%
reduction of
product emissions through
concentration and compaction



Recycled and renewable carbon in formulations

In addition to concentration and compaction, we can further reduce emissions from product formulations by transitioning away from fossil fuels as feedstocks for our chemicals. In September 2020, Unilever announced the ambition to replace all of the carbon derived from fossil fuels in our Home Care formulations with renewable or recycled carbon by 2030.⁸ There are currently more than enough carbon molecules above the ground – in the atmosphere, plants, algae and waste – to make the chemicals we need if we learn to use this carbon again and again. This approach avoids pumping more carbon from under the ground (in the form of fossil fuels), which would add to the earth's atmospheric carbon burden when the chemicals biodegrade.



Through Clean Future, we are reinventing the chemistry of our Home Care products and have plans to:

- Use bio-science and industrial biotechnology to produce highly efficient cleaning ingredients from sustainably sourced biomass, such as the rhamnolipids (a surfactant) we are using in our hand dishwash detergent in Chile and Vietnam or new high-performing bio-enzymes.
- Turn non-recyclable plastic waste destined for landfill or incineration into biodegradable cleaning and fragrance chemicals.
- Turn CO₂ from industrial emissions into useful chemicals and minerals through carbon capture and utilisation, as we already do for some of the soda ash we use in our laundry detergents in India.

Adopting this approach in the recent past has helped us deliver up to 28% GHG savings in the product formulations whilst delivering new consumer benefits such as skin mildness. We are now exploring the extent to which this level of GHG reduction could be deliverable across the Home Care portfolio.

We are mindful that any shift from petrochemical to other feedstocks must be conducted with full regard for the sustainability impacts and pressures that this has on our natural systems to deliver CO₂ emissions reduction. The selection of feedstock is informed by life cycle analysis and as well as our modelling approaches to assess emissions from land use and land-use change.⁹

8. <https://www.unilever.com/brands/home-care/clean-future.html>
 9. <https://www.nature.com/articles/ncomms15065>

Plant-based foods

Consumer demand for more plant-based diets is growing. Many people are seeking to reduce their meat consumption.

Alternative proteins, plant-based eating and meat and dairy alternatives are strategic pillars for Unilever's Foods & Refreshment division. Its Force for Good strategy prioritises moving to more plant-based diets and products, guiding consumers towards healthy and sustainable dietary behaviours.

Innovations such as plant-based ice cream – using non-dairy fats and proteins – directly contribute to lowering the carbon intensity of Unilever's product value chains. We have a comprehensive product innovation programme in ice cream with a target of around 20% of ice cream products being non-dairy by 2030.

But as we consider our Foods & Refreshment division's role in the climate transition, we believe it is critical to look beyond our current footprint to more systemic societal shifts in reducing emissions from our diets.

20%
of ice cream products being
non-dairy by **2030**





In November 2020, the Foods & Refreshment division announced the bold 'Future Foods' ambition with several mid-term commitments, including the goal to increase annual sales of plant-based meat and dairy alternatives to €1 billion by 2025–2027. Achieving that goal requires almost a fivefold growth versus the 2020 baseline. The scope includes three groups of products that are specifically designed to look, taste or cook like products containing animal-derived proteins:

- Meat replacement: Vegan or vegetarian products that contain non-animal-derived alternative proteins instead of meat proteins.
- Vegan mayonnaise: Vegan mayonnaise products in which all animal-derived ingredients are replaced by non-animal-derived alternatives.
- Vegan ice cream: Vegan ice cream products in which all animal-derived ingredients are replaced by non-animal-derived alternatives.

In addition to meat and dairy replacement, a significant part of the Foods & Refreshment business is generated by products that do not contain animal-derived ingredients by design. These include vegetable soups and water-based ice cream, and the whole tea business. While it is not in scope of the €1 billion goal, growth in this part of the business is consistent with the pro-environmental choices that consumers are increasingly making.

Lastly, we are encouraging people to eat more – and more diverse – vegetables. This effort is being led by Knorr, underpinned by its global Future 50 Foods report, published together with WWF-UK in February 2019 to promote more diverse plant-based eating and biodiversity. The report is based on the insight that humanity mostly only eats 12 crops and five animals, and suggests specific healthy ingredients that could contribute to a more sustainable food system. The list combines familiar foods such as lentils, wild rice and kale, with lesser-known foods like fonio, pumpkin flowers and cactus. This is reflected in Knorr's innovation pipeline and new recipe inspirations. For example, preparing a spaghetti Bolognese with lentils instead of meat, a behaviour change that can reduce the GHG footprint of the protein in that particular dish by 83%.



Beauty & Personal Care – Positive Beauty for people and planet

In March 2021, our Beauty and Personal Care division launched a new Positive Beauty vision and strategy.

Positive Beauty, which sets out several progressive commitments and actions for our beauty and personal care brands, including Dove, Rexona, Lifebuoy, Axe and Sunsilk, helps to drive a transformation in how our products are designed and formulated so that they do more good for both people and the planet, deliver a superior product experience, and tap into consumer trends.

Most of the ingredients in our beauty and personal care products come from the natural world. As part of our aim not only to do less harm but also to do more good, our beauty and personal care division has committed to helping protect and regenerate 1.5 million hectares of land, forests and oceans by 2030. This is more land than we use to grow the renewable ingredients included across our beauty and personal care product portfolio.



AXE®



Helping consumers make lower carbon choices

We believe that transparency about carbon footprint will be an accelerator in the global race to zero emissions, and it is our ambition to communicate the carbon footprint of every product we sell. In some cases, this may be via a direct carbon footprint label. In other cases, we may use digital technologies to connect consumers with the product footprint and other data that helps them understand the positive impact they can have through the choices they make, both in terms of the products they choose and how they use them.

We are creating partnerships with other businesses and organisations to standardise data collection, sharing and communication, such as the WBCSD Value Chain Carbon Transparency Pathfinder, which launched earlier this month.¹⁰



10. <https://www.wbcsd.org/Programs/Climate-and-Energy/Climate/SOS-1.5/News/WBCSD-launches-new-Pathfinder-to-enable-Scope-3-emissions-transparency-and-accelerate-decarbonization>

Our wider influence on society

With the lion's share of our value chain emissions falling outside of our direct control, societal change remains critical to achieving our targets and achieving the Paris Agreement goals. Influencing wider society is, therefore, an integral part of our plan.

Step up in climate advocacy ahead of **COP26** - and beyond



Disclose **climate policy positions**

Disclose all principal **trade associations**

Drive **transformational change** through industry partnerships



Our wider influence on society

Advocacy and partnerships

We have a long tradition of working with civil society organisations, multilateral institutions and other companies to advance the sustainable development agenda and influence the public policy frameworks that will accelerate progress.

To support our Climate Transition Action Plan, our approach to advocacy and partnerships will be divided into four types of activity:

1. High-level advocacy in support of the goals of the Paris Agreement
2. National and regional climate policy
3. Issue-specific policy engagement and partnerships
4. Industry partnerships

1. High-level advocacy in support of the goals of the Paris Agreement

With the UN Climate Conference – COP26 – on the horizon, countries must step forward with strengthened emissions reduction plans. These should include targets to achieve net zero by mid-century, interim targets consistent with a Paris-aligned pathway, and enabling policy measures to support delivery. Unilever engages through many global associations to express our support for these goals at international events. These include the UN Secretary General's Climate Action Summit and the UN Climate Change Conference. Our five global strategic partners in this effort are the UN Global Compact, the World Economic Forum, the World Business Council for Sustainable Development, the We Mean Business Coalition and the Consumer Goods Forum.

2. National and regional climate policy engagement

Unilever is active in several key markets (including the EU, US and UK) in advocating our support of ambitious national or regional level climate policy. We typically engage through dedicated climate advocacy organisations such as the EU Corporate Leaders Group, the Climate Leadership Council and HRH The Prince of Wales' Corporate Leaders Group on Climate Change. For example, we lobbied actively to support the EU's 55% emissions reduction target, which has now been adopted.



3. Issue-specific policy engagement and partnerships

The transition to a net zero world is complex. Success will require companies to engage proactively with public policymakers on specific issues that are material to that transition.

Unilever invests management time in several industry working groups, advocacy groups and task forces, to positively influence the enabling conditions for the net zero transition. Our engagement strategy is reviewed annually. Priority areas for engagement for the next three years include:

Carbon pricing – Unilever supports calls for the introduction of carbon pricing at levels consistent with the delivery of the Paris Agreement and as recommended by the Carbon Pricing Leadership Coalition’s High-Level Commission on Carbon Prices (\$40–80/tonne by 2020 rising to \$50–100/tonne by 2030, provided a supportive policy environment is in place).

Natural climate solutions – Unilever is a member of the Natural Climate Solutions (NCS) Alliance which aims to scale up affordable natural climate mitigation solutions for achieving the goals of the Paris Agreement. These include reforestation, forest protection and conservation, and coastal wetland and peatland restoration.



RE100



Natural
Climate
Solutions
Alliance

Renewable energy – Two-thirds of the end-to-end footprint of our products occurs in the home, primarily associated with the energy used to heat water required for their use. In product categories such as skin cleansing it can be over 80%, - as products such as shower gels and soaps are often used with large volumes of hot water. Yet Unilever has no direct control over the carbon intensity of those emissions. Having spent five years in the early days of the Unilever Sustainable Living Plan exploring the potential of environmental behaviour-change campaigns, we have concluded that in the categories in which we operate, these campaigns are unlikely to drive down emissions at a pace consistent with the 1.5-degree ambition of the Paris Agreement. A better strategy is to support the accelerated deployment of renewable energy worldwide to reduce and remove these emissions altogether.

We focus on policy influencing work through advocacy groups such as RE100, which advocate for an accelerated deployment of renewable energy in markets. We intend to step up this engagement in more countries through a combination of direct engagement and through our trade associations.





4. Industry partnerships

Many companies that are pioneering net zero pathways face similar issues that can be addressed in a precompetitive way. Unilever participates extensively in groups that seek to do this, both learning from others and sharing our own experience. We expect the importance of these groups to grow over the next decade. Groups of particular interest are:

The World Business Council for Sustainable Development allows Unilever to engage in a wide range of programmes, including the Value Chain Transparency Pathfinder Project, which aims to overcome barriers to transparent and secure data sharing of materials' carbon footprints along the B2B value chain.

Transform to Net Zero is a partnership between nine companies, including Unilever, Microsoft, Starbucks and Maersk. It aims to deliver guidance and business plans to enable a transformation to net zero emissions as well as research, advocacy and best practices to make it easier for the private sector to set ambitious goals and deliver meaningful emissions reductions.

The Renewable Carbon Initiative was established by the nova-Institute after observing how the chemical and plastics industry was struggling with the enormous challenges in meeting the EU's climate goals and the sustainability expectations held by societies around the globe. It was clear that the industry has to go beyond using renewable energy. As decarbonisation is not an option for organic chemistry, which is entirely based on the use of carbon, an alternative strategy was needed. Hence, the nova-Institute developed a renewable carbon strategy and set up RCI to bring the theory to life.

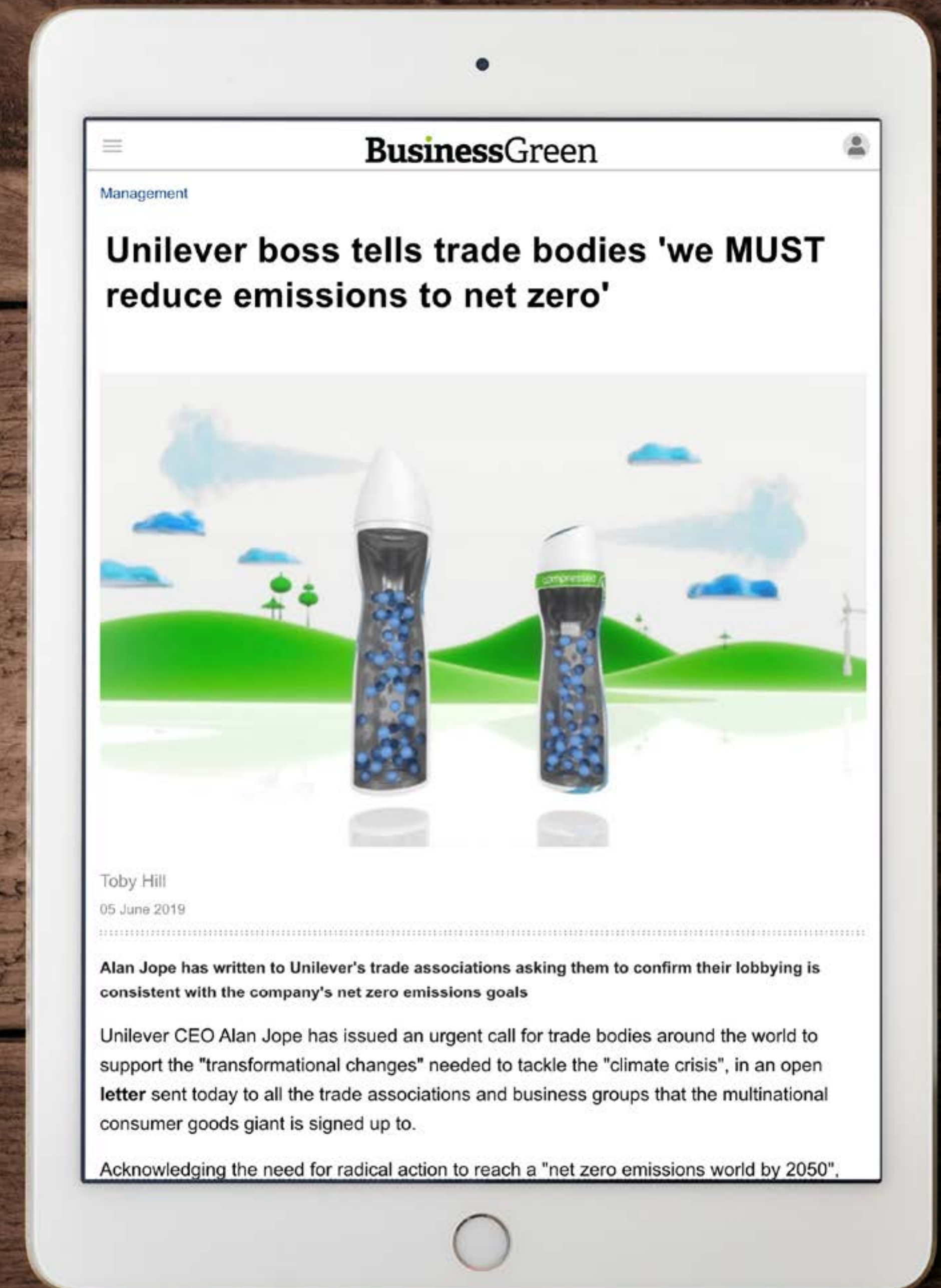
Trade association policy alignment

Unilever has already committed to ensuring that all direct lobbying relevant to climate policy is consistent with our stated objectives in delivering the 1.5-degree ambition of the Paris Agreement.

However, direct advocacy is not the only form of policy influence that a business exerts. Unilever has long championed the importance of aligning indirect climate lobbying (through trade associations) with an organisation's climate position. In 2019, we asked our trade associations to confirm whether their policy engagement matched the 1.5-degree ambition of the Paris Agreement. Our intervention was positively received, and in several cases, it triggered a discussion about clarifying existing positions.

We believe this is a growing area of importance, and beginning later this year, we will publish:

- An annual list of our principal trade associations
- A climate policy position that we will use to assess trade association membership renewals.



Governance, data and disclosure

Our plan is underpinned by a commitment to transparent governance and reporting at a Group level, including Board oversight, an advisory vote at our AGM every three years and independent third-party assurance.

We will continue to report in line with the recommendations of the Taskforce on Climate-related Financial Disclosures and participate in the annual CDP disclosure process.

 **AGM advisory vote every three years**

Annual reporting on our progress 

 **External third-party assurance**

Climate performance linked to executive compensation 

Continued commitment to report in line with the TCFD framework 

Ongoing investor disclosure via CDP



Governance

The Board takes overall accountability for the management of all risks and opportunities, including climate change. Our CEO and Executive Board member, Alan Jope, is ultimately responsible for oversight of our climate change agenda. The Corporate Responsibility Committee and Audit Committee review our climate reporting and receive presentations from sustainability experts, including the Sustainability Advisory Council, which includes external sustainability leaders from civil society organisations and academia.



The Board is supported by the Unilever Leadership Executive (ULE). The ULE meet monthly to discuss key strategic matters. During 2020, several agenda items related to climate change were discussed, including progress against our climate goals. Additional specialist governance groups are in place to support our climate agenda and ULE decision making, including:

- The Carbon Neutral Board: Drives delivery of our carbon ambition at the corporate and country-level and leads strategic partnerships and policy on renewables. It is chaired by our Chief Supply Chain Officer, Marc Engel.
- The Sustainable Sourcing Steering Group: Supports our strategy focusing on long-term, sustainable access to our key crops. It is chaired by our Chief Procurement Officer, David Ingram.

Having submitted this Climate Transition Action Plan for a shareholder advisory vote at Unilever's Annual General Meeting on 5 May 2021, we propose to report annually from 2022 on progress made in implementing the plan. We also propose to submit an updated plan for shareholder approval at the AGM every three years, noting any material changes we have made or propose to make.

We have robust systems in place to track performance management against our Short-term and Medium-term Emissions Reduction Targets.

Through this system of measurement and management, we have reduced GHG emissions in our manufacturing operations by 76% in absolute terms since 2008.

We also track progress against our Medium-term Value Chain Emissions Reduction Target at a company level and have used the insight from our footprint data to set targets for specific value chain interventions, for example, the shift to sustainably sourced palm oil and reducing the use of phosphates in detergents, which has driven good progress in these areas.

In addition, 25% of the vesting of our long-term incentive plan for our management population (14,400+ managers) is determined by our performance against our sustainability commitments (which include specific climate targets as also reflected in the Climate Transition Action Plan).

As we further integrate our sustainability strategy into our business strategy – the Unilever Compass – we will explore how best to evolve the integration of our value chain emissions reduction targets into our overall performance management framework.



Data, measurement and assurance

Our Scope 1 & 2 operational emissions are measured using environmental performance data from our systems.

Scope 3 emissions along the value chain are estimated using a proprietary GHG footprint model from sourcing through to disposal. The model is developed using lifecycle analysis and industry databases, and actual data from suppliers where available.

To measure progress towards our 2039 net zero target, we will need to evolve our existing measurement of our product GHG footprint covering 60–70% of our total global portfolio to a system that covers all our products and all relevant business activities. We are piloting approaches to do this. These include working in collaboration with other companies facing the same challenge through the World Business Council for Sustainable Development's Value Chain Carbon Transparency Pathfinder project mentioned above.

We will also continue to seek external assurance from an independent third party to ensure our data is robust and reliable.



Known challenges and uncertainties in data and measurement

Unilever has been a pioneer in lifecycle assessment and full value chain emissions reporting for over a decade. We have found that Scope 1 & 2 emissions data is relatively easy to gather. However, Scope 3 emissions data – which, by its definition, refers to other organisations' emissions – is subject to a range of uncertainties:

- Data used to model lifecycle footprints is typically industry-standard data rather than relating to individual suppliers.
- Lifecycle models such as Unilever's cover many but not all products and markets.
- International standards and protocols governing emissions calculations and categorisations evolve, as do accepted norms regarding terminology such as carbon neutral and net zero.

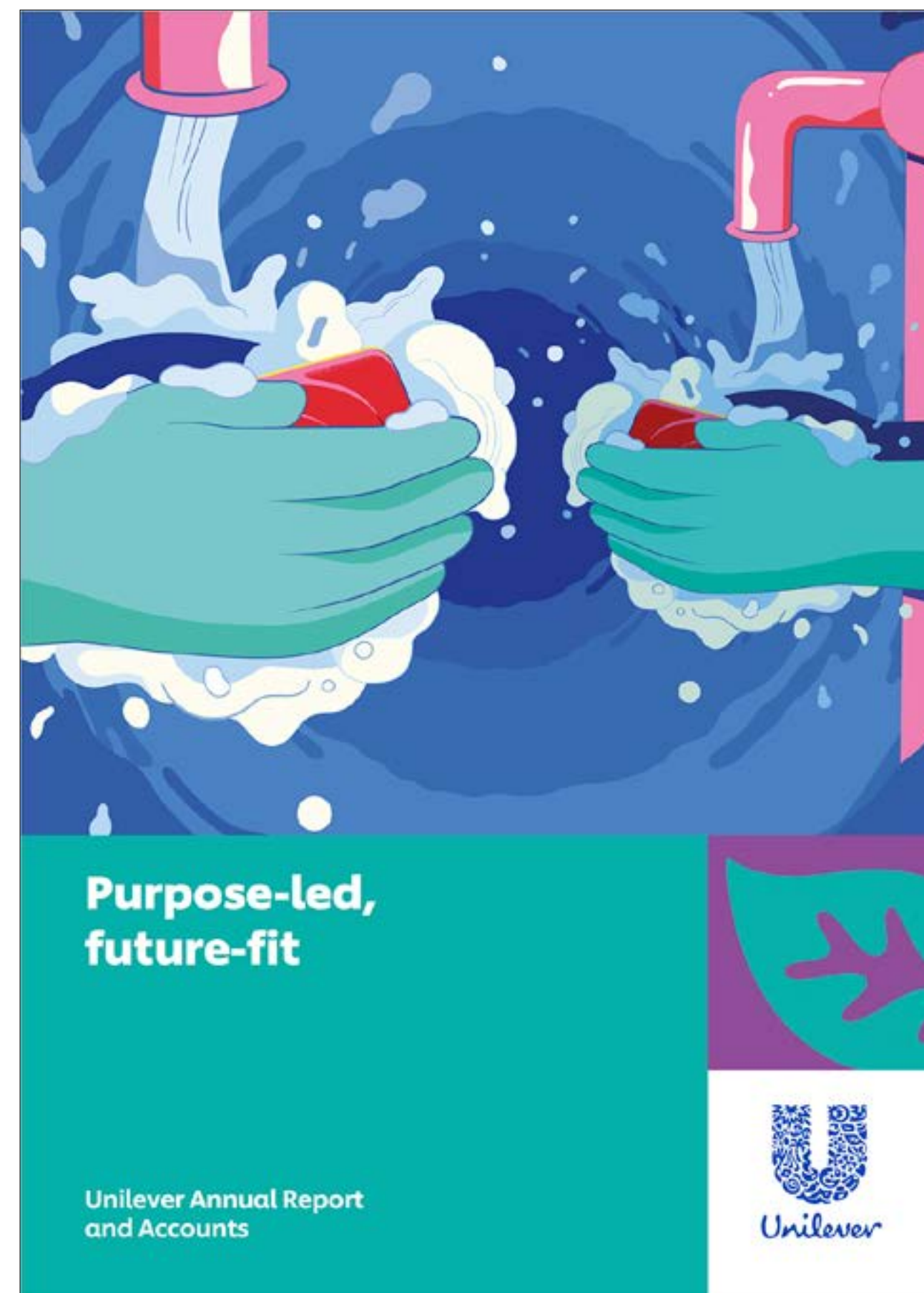
We have chosen not to wait for every issue to be resolved and for every term to be defined before setting out our climate transition action plan.

As value chain emissions data improve, shifting over time from generic modelled data to more specific data, and as society – whether NGOs or governments – formalise terminology relating to carbon neutrality or net zero, so we may need to evolve our plan.



Disclosure and reporting

We believe that transparency on our GHG emissions and the progress we are making towards our targets is key to delivering our net zero goal. It helps our stakeholders understand our climate transition action plan and hold us to account in delivering on it. Balanced reporting on our progress and the challenges we are facing is a key part of our approach.



We currently disclose progress on our two science-based targets in our Annual Report: Our Medium-term Emissions Reduction Target and our Medium-term Value Chain Emissions Reduction Target. We will continue to disclose our emissions reduction performance annually, primarily through our Annual Report and our website.

We support the aims of the Task Force on Climate-related Financial Disclosures (TCFD) and believe that businesses should communicate the risks and opportunities that climate change brings. We use the TCFD framework to disclose our climate-related financial impacts in a consistent and comparable way so that investors can make better capital allocation decisions in support of the transition to a low-carbon economy. We have adopted the TCFD's recommendations since they were established.

We have disclosed to CDP on Climate, Forests and Water since the beginning of each programme and participate in its supply chain programme. CDP scores companies from D- to A for disclosure of their Climate, Water and Forests impacts. In 2020, we achieved A for both Climate and Water and A- for Forests (palm oil, soy and paper & board).



CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Many stakeholders look to CDP as the gold standard of environmental reporting.

Achieving net zero by 2039

For at least the next decade, the focus of our targets is emissions reduction, not balancing emissions with carbon credits, sometimes known as offsetting. While we have set interim emissions reduction targets, we have not set interim 'net zero' targets. Such targets would create tension between investing in offset purchases and investing in GHG reductions in the value chain, which we believe would be counterproductive.



However, we recognise the urgency of the crisis and the need for additional financing for climate and nature programmes. Our Climate & Nature Fund will redirect brand marketing investment from 2021 (€1 billion over the next decade) into consumer-relevant climate and nature programmes. But we will not seek to slow our value chain emission reduction efforts through the purchase of carbon credits. We believe this approach is consistent with emerging guidance from the Science Based Targets initiative.



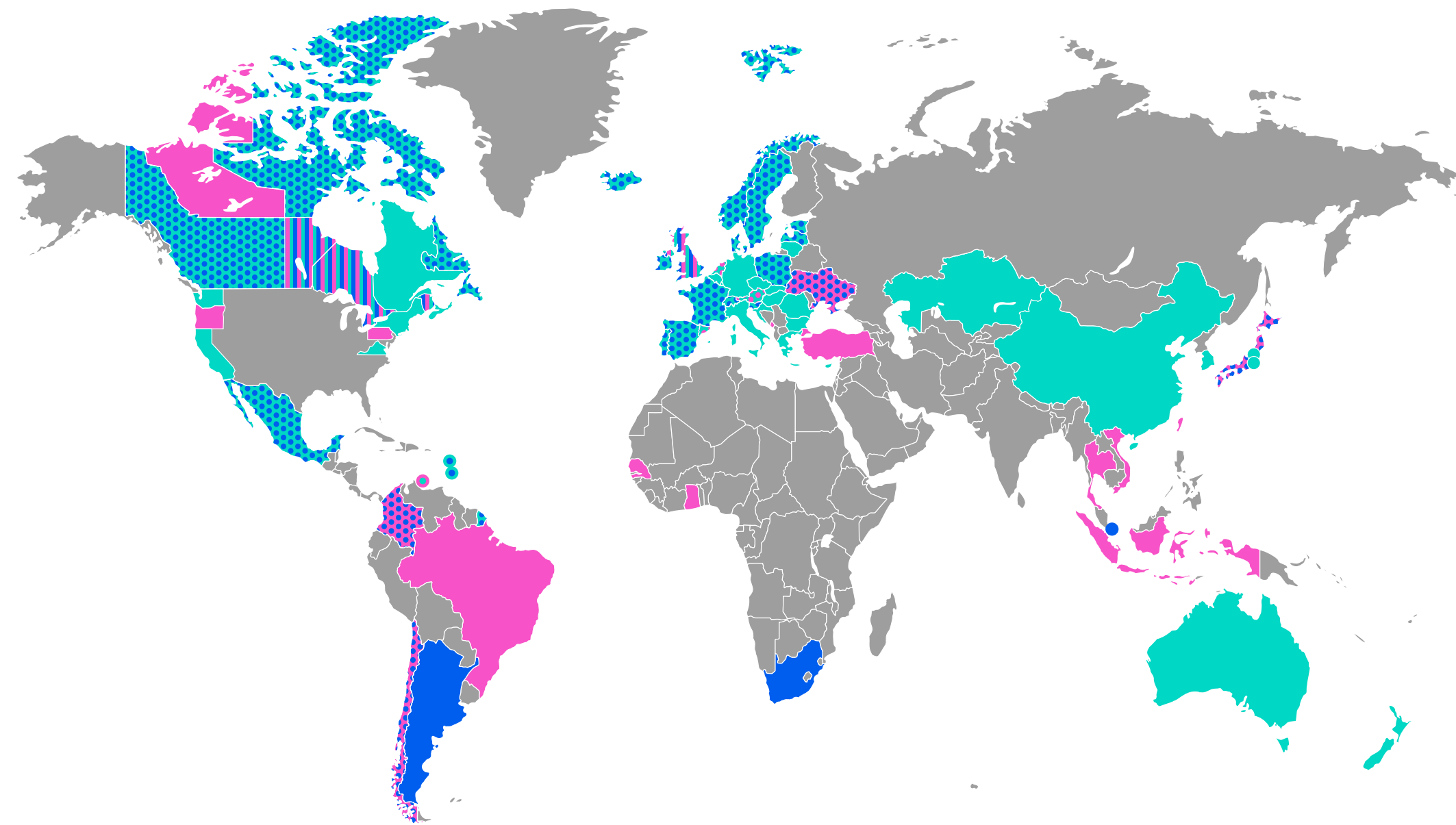
Over the coming years, through engagement with our suppliers and business partners, we will work to eliminate emissions in our value chain, reducing the need for balancing emissions removal credits. In an ideal world, we would not need any. Still, in choosing a broad scope of emissions, including upstream and some downstream emissions, and bringing the date forwards to 11 years ahead of the 2050 goal implicit in the Paris Agreement, we expect that an element of balancing emissions removals will be necessary.

Our goal may seem unduly ambitious, but when Unilever was among the first businesses to call for a net zero by 2050 target in 2015, it was seen as stretching. Five years later, major economies around the world were enshrining precisely this target in law. This is an issue that is developing fast and will, we believe, continue to accelerate.



Our collective knowledge of the climate crisis is growing. Consumers are becoming more demanding of brands. Investors are increasingly seeking to build net zero aligned portfolios. High-quality talent is seeking employment with purpose-led companies. In this context, we believe that any costs associated with this additional level of ambition represent a wise investment in building our purpose-led, future-fit business, one that will be respected and trusted by future generations as much as it has been by past generations.

Emission trading and carbon taxes around the world (2020)



- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration

It is too early to predict with confidence the amount of residual carbon that would be left from sourcing to the point of sale in 2039, or indeed the carbon price in 2039 were Unilever to purchase carbon removal credits to substantiate a net zero claim.

Carbon markets are currently immature. Society has yet to fully agree on how different carbon credits types might be used to substantiate net zero claims.

Negotiations being held at the UN Climate Change conferences on Article 6 of the Paris Agreement will ultimately determine many of the rules around how voluntary and regulated carbon markets interact, and therefore the degree to which corporate and country-level net zero targets can work in harmony.

For now, what matters is that we act on the imperative to remove as much carbon from our value chain as possible, confident in the knowledge that by 2039 whatever is left will come at a cost – whether this cost is imposed by society in the form of a tax or through our commitment to balance any residual carbon emissions with carbon removal credits.



We expect our approach to delivering the 'net' in our net zero target to develop further as the societal debate on net zero matures. We are confident that through the expertise we will build in nature-based projects (through our Climate & Nature Fund) and our renewable carbon innovation programmes, we will be well placed to secure any balancing carbon removal credits required to deliver our net zero emissions ambition by 2039.

Our plan

Net Zero
by **2039**
across Scope 1, 2 &
Scope 3 emissions

Scope 1 & 2
emissions
reduction
against a
2015 baseline **100%**
2030

Scope 1 & 2
emissions
reduction
against a
2015 baseline **70%**
2025

Halve the footprint of
our products by 2030
against a 2010 baseline

1.5° aligned
Science Based
Target

€1 billion
Climate &
Nature Fund

Our operations

100%
renewable
grid electricity
(achieved January 2020)

Eco-efficiency
programmes to
reduce energy demand

Transition to **100%**
renewable heat by 2030

Align capital
expenditure
with our
1.5°
pathway

Phase out high-impact
HFC refrigerants
from cooling systems

Halve
food waste
in our operations
by **2025**

Our value chain

Integrated
GHG roadmaps
for all key materials
and ingredients

Zero
deforestation
by 2023
in palm oil, tea,
soy, cocoa and
paper & board

Estimated
40-50%
reduction in
logistics
emissions by 2030

At least 25%
Recycled
plastic by
2025

100% EVs or hybrids
in our global car fleet
by 2030

Reduce emissions
from **aerosol**
propellants in
North America

Our brands and products

Up to **60%**
reduction in product GHG
emissions through
concentration and
compaction

Replace fossil-fuel derived
carbon with **renewable or**
recycled carbon by 2030 in
home care formulations

€1 billion annual
sales from
plant-based
meat and dairy
alternatives by
2025-2027

Cut emissions from
energy use in
3 million+
point of sale
ice cream cabinets

Help protect
and regenerate
1.5 million hectares
of land, forests and
oceans by 2030

Share the
carbon
footprint
of every product we sell

Our wider influence on society

Step up in climate
advocacy ahead of
COP26
- and beyond

Disclose all principal
trade
associations

Disclose
climate policy
positions

Drive
transformational
change through
industry partnerships

Governance, data and disclosure

AGM advisory
vote every
three years

Annual
reporting
on our progress

External
third-party
assurance

Climate
performance
linked to **executive**
compensation

Continued
commitment
to report in line
with the
TCFD framework

Ongoing
investor disclosure
via **CDP**

Disclaimers

This document contains a number of graphics, infographics and text boxes which aim to give a high level overview of certain elements of this Plan and improve the accessibility of this Plan for readers. These graphics, infographics and text boxes are designed to be read within the context of the Plan as a whole.

This document may contain forward-looking statements, including ‘forward-looking statements’ within the meaning of the United States Private Securities Litigation Reform Act of 1995 regarding the Unilever Group’s (the “Group”) targets and strategy to reduce in absolute terms its operational (Scope 1 & 2) emissions by 70% by 2025 and by 100% by 2030 against a 2015 baseline and to achieve net zero emissions covering Scope 1, 2 and 3 emissions by 2039, as well as its target to halve the full value chain emissions of its products on a per consumer use basis by 2030 against a 2010 baseline (the “Climate Transition Action Plan”). Forward-looking statements include, but are not limited to, statements regarding the targets described above (also known as the short-term emissions reduction target, the medium-term emissions reduction target the long-term net zero value chain target and the medium-term value chain emissions reduction target); actions to reduce emissions in the Group’s own operations and across its value chain, including reducing emissions at the Group’s factories, offices and labs as well as within its supply chain (e.g. raw materials, packaging materials, logistics and distribution), retail outlets and waste processing; the redesign of products to reduce emissions through innovation; business travel, commuting and homeworking; capital investment related to the Climate Transition Action Plan; the Group’s €1 billion Climate & Nature Fund and its investments; and future advocacy and partnerships in wider society.

Words such as ‘will’, ‘aim’, ‘plans’, ‘targets’, ‘expects’, ‘anticipates’, ‘intends’, ‘looks’, ‘believes’, ‘vision’, ‘ambition’, ‘seeks’, ‘commitment’, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, those set out under “Known challenges and uncertainties in data and measurement” within this document. No assurance can be given that the forward-looking statements in this document will be realised. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This document does not form part of the Unilever Annual Report and Accounts 2020.





Unilever PLC
Head Office
100 Victoria Embankment
London
EC4Y 0DY
United Kingdom

T +44 (0)20 7822 5252

Registered Office
Unilever PLC
Port Sunlight
Wirral
Merseyside
CH62 4ZD
United Kingdom

Registered in England and Wales
Company Number: 41424