2022 COLGATE-PALMOLIVE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

# 2022TCFD



## I-INTRODUCTION

Colgate-Palmolive Company (we, us, our, Colgate or the Company) markets its products in over 200 countries and territories around the world and the Colgate brand is in more homes than any other. We are therefore presented with tremendous opportunities and important challenges in the area of sustainability. A key ambition of our 2025 Sustainability & Social Impact Strategy, which we announced in November 2020, is preserving our environment by accelerating action on climate change and reducing our environmental footprint. This ambition is supported by actionable targets consistent with our continued commitment to building environmental and social consciousness into our decision making. As discussed in our 2023 Climate Transition & Net Zero Action Plan, these actionable targets include science-based near-term, long-term and Net Zero 2040 emissions targets across our operations and supply chain, which were approved by The Science Based Targets initiative (SBTi) in 2022. Transparency is important to us and to our stakeholders as it provides accountability and trust. We believe this report, which is aligned with the Task Force on Climaterelated Financial Disclosures (TCFD) recommendations and includes climate-related information relevant to a broad range of stakeholders, is one step in the process. Following the TCFD recommendations, our report is broken into four sections: Governance, Strategy, Risk Management, and Metrics and Targets. This report covers our 2022 fiscal year. We are continuing to assess our climate impact, risks and opportunities and to integrate our sustainability strategy across our organization while creating a healthier future for all people, their pets and our planet.



## **II-GOVERNANCE**

## Board's oversight of climaterelated risks and opportunities.

#### **Board of Directors**

Our Board of Directors (Board) views sustainability as being critically important to Colgate's overall business and growth strategy and our Board plays an essential role in guiding and overseeing that strategy. Our Board was deeply involved in the development of our strategic plan and receives detailed briefings throughout the year on critical aspects of its implementation. As we work to integrate sustainability into all aspects of our business, our Board addresses sustainability in its oversight of the implementation of Colgate's strategic plan, annual budget, capital expenditures, capital structure and innovation plans and is kept abreast of the Company's sustainability efforts, including as they relate to climate change, during reviews of our operating divisions and functions, product categories and competitive and marketplace trends. Additionally, in recognition of the importance of ESG matters to the Company's continued success, in 2022, the Personnel and Organization Committee of the Board determined that the strategic component of the Company's annual incentive program, which represents 20% of executives' annual bonus opportunity, should include performance measures tied to our sustainability and DE&I progress.

#### Nominating, Governance and Corporate Responsibility Committee

Within our Board, the Nominating, Governance and Corporate Responsibility Committee (NGCR Committee) oversees our sustainability program, including our 2025 Sustainability & Social Impact Strategy, and the Personnel & Organization Committee has responsibility for overseeing our workplace and human rights practices, including diversity and inclusion and equal opportunity initiatives. The NGCR Committee was reconstituted and renamed in 2020 to heighten the Board's focus on sustainability (including climate change), social responsibility and corporate citizenship matters. The NGCR Committee receives regular updates from management on sustainability matters, risks and opportunities, including our actions to preserve the environment and to accelerate action on climate change and achieve our sustainability targets. The NGCR Committee is scheduled to meet quarterly and a sustainability-related topic, which may include topics directly or indirectly related to climate change, is typically presented and discussed at each scheduled meeting. Management provides the Board, through its NGCR Committee, with the highlights of our progress against the targets within our 2025 Sustainability & Social Impact Strategy, including our climate strategy, on at least an annual basis.

#### **Audit Committee**

In addition, our Board is kept abreast of climate-related risks through the Audit Committee, which oversees the Company's enterprise risk management (ERM) process and the implementation of appropriate risk monitoring and management systems. In this capacity, the Audit Committee receives regular updates from members of the Company's Enterprise Risk Management Committee (ERM Committee) (discussed in further detail below), which has identified sustainability as a critical risk facing the Company.

Management's role in assessing and managing climate-related risks and opportunities.

## Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

We have a team of people responsible for assessing and monitoring climate-related issues, led by our Group President, Growth and Strategy, a member of our leadership team who reports to our Chairman of the Board, President and CEO, and our Chief Sustainability Officer (CSO), who reports to our Group President, Growth and Strategy. This team has responsibility for our overall 2025 Sustainability & Social Impact Strategy and monitors progress against our sustainability targets, including our science-based targets related to climate change. Within our CSO's team, the Vice President and Fellow, Global Sustainability is responsible for our climate strategy and leads the planning and execution of our Climate Action and Net Zero Carbon Transition roadmap covering Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Our CSO also helps shape the Company's supply chain strategy, which may be impacted by climate-related issues. Colgate's CSO is responsible for providing the Board, through its NGCR Committee, with quarterly updates on sustainability issues, risks and opportunities, including our progress against our science-based climate targets and other action plans to achieve our sustainability objectives.

#### **Sustainability Steering Committee**

Our CSO chairs our Sustainability Steering Committee, which makes strategic decisions related to sustainability, monitors climate-related issues and works to integrate our sustainability strategy into our broader organization and to measure and meet our sustainability targets and key performance indicators (KPIs). The Sustainability Steering Committee meets quarterly and is composed of members of senior management, including Colgate's Chief of Staff, Group President, Growth and Strategy, Chief Financial Officer, Chief Legal Officer and Secretary, CSO, Chief Technology Officer, Chief Human Resources Officer, Chief Communications Officer, Chief Supply Chain Officer, Vice President and Treasurer and Chief Investor Relations Officer and SVP, Mergers & Acquisitions. The members of the Sustainability Steering Committee were chosen due to their broad expertise and insight into every function of Colgate's business. The Sustainability Steering Committee has reviewed our climate strategy and is informed of our progress against our sustainability targets, including our science-based targets related to climate change.



#### **Enterprise Risk Management Committee**

Our ERM Committee, which includes Colgate's Chairman, President and CEO, Chief Financial Officer, Chief Human Resources Officer, Chief Investor Relations Officer and SVP, Mergers & Acquisitions, Chief Legal Officer and Secretary, Chief Supply Chain Officer, Vice President and Corporate Treasurer and other members of Colgate's senior management, monitors current and emerging risks facing our Company and has identified sustainability, specifically as it relates to climate transition and plastic transition, as a critical risk facing the Company. Risks identified by the ERM Committee are assigned risk sponsors who are responsible for overseeing the management of the risk and reporting back to the ERM Committee on the risk landscape and the Company's mitigation efforts. The Group President, Growth and Strategy is the risk sponsor for the sustainability risk. ERM Committee members provide the Board and its committees with regular updates on risks facing the Company.

#### **ESG Reporting Task Force**

Our ESG Reporting Task Force was formed in 2021 to address the increasing demands for additional ESG disclosure from our stakeholders. Through the ESG Reporting Task Force, management is kept abreast of climate disclosure-related issues to guide the Company on its ESG reporting. The ESG Task Force is composed of representatives from the Company's investor relations, legal, supply chain, sustainability, corporate communications and finance functions. The ESG Reporting Task Force's sponsors include the Company's Chief of Staff, Group President, Growth and Strategy, Chief Financial Officer, Chief Legal Officer and Secretary, Chief Investor Relations Officer and SVP, Mergers & Acquisitions, Vice President and Controller, Chief Communications Officer and CSO, all of whom serve on the Sustainability Steering Committee. The ESG Reporting Task Force meets on an as-needed basis and meets with the sponsors quarterly.



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# **III-STRATEGY**

Climate-Related Risks and Opportunities Identified over the Short, Medium, and Long Term. For the purpose of climate risk disclosures in this report, we identify short-term as between 1 and 3 years, medium-term as between 3 and 6 years and long-term as between 6 and 30 years.

Colgate has assessed climate-related issues potentially arising in each time horizon (short-, medium-, and long-term) and their potential impacts on our business by using both our ERM process and a climate-related scenario analysis that we carried out with a third party. Additionally, we consult with and assess climate-related issues facing our Company with cross-functional subject matter experts both internally and externally. The table below provides a description of each potential risk and opportunity, as well as their time horizon and the related risk or opportunity driver.

#### **Climate-Related Scenario Analysis**

Colgate engaged with a third party expert to conduct a climate-related scenario analysis to understand how climate change can impact our business and what types of actions can be taken to avoid climate risks or capture opportunities. The analysis covers the potential impacts of both physical risks, such as hurricanes or droughts, and transition risks, such as carbon pricing, regulatory requirements and impacts on Colgate's reputation. The information collected through this process helps us prioritize our risk management activities, inform our strategy, create capacity to set an internal carbon price, better assess the return on investment for sustainability-related capital investments, align with new public reporting and disclosure frameworks and respond in a more complete way to investor requests about the potential climate risks to our business model.

For this analysis, we used research from the Intergovernmental Panel on Climate Change, the International Energy Agency and the Organisation for Economic Co-operation and Development to assess the potential impact of different climate scenarios on our business. Below are the details of the scenarios used for our climate scenario analysis.

Transitional Risks		Physical Risks	
High Carbon Price Scenario	This scenario represents the implementation of policies that are considered sufficient to reduce GHG emissions in line with the goal of limiting climate change to 2°C by 2100.	Low Climate Change Scenario (RCP 2.6)	Aggressive miti This scenario is 2°C by 2100.
Moderate Carbon Price Scenario	This scenario assumes that policies will be implemented to reduce GHG emissions to 2°C In the long-term, but with action delayed in the short-term.	Moderate Climate Change Scenario (RCP 4.5)	Strong mitigatio current levels b not to result in v
Low Carbon Price Scenario	This scenario represents the full implementation of country Nationally Determined Contributions under the Paris Agreement.	High Climate Change Scenario (RCP 8.5)	Continuation of current rates. T warming in exce



igation actions to halve emissions by 2050. likely to result in warming of less than

on actions to reduce emissions to half of by 2080. This scenario is more likely than warming in excess of 2°C by 2100.

business as usual with emissions at This scenario is expected to result in ess of 4°C by 2100.

**RCP 8.5** 

(High Climate Change Scenario)



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The selected scenarios provided a range of possible future states from low, moderate and high levels of potential impacts to conduct a thorough assessment of transition (including policy and legal, technology, market and reputation) as well as physical risks. The analysis covered a range of time horizons depending on the risk type. For example, policy risk was evaluated using 10-, 20- and 30-year timeframes to align with Colgate's renewable electricity and net zero carbon emissions targets. Physical risk was evaluated using 2020 as a baseline, as well as 2030 and 2050. We considered our global operations in the analysis, with particular attention to manufacturing sites and global technology centers.

One of the key findings was that the majority of our exposure to carbon pricing-related risks are associated with our purchased goods and services from suppliers. According to the analysis, Colgate was found to have moderate reputational risk exposure, and low technology risk exposure. Colgate, according to the analysis, is exposed to moderate physical risk with highest exposure to water stress, cold waves and heat waves. We are using this information to underscore the need for ambitious progress and continued investment in our sustainability programs, including for renewable energy and capital budgets for sustainability projects. The analysis underscored our renewable electricity and carbon commitments, leading to a more comprehensive understanding of how our net zero carbon commitment could help mitigate potential policy and reputational risks. For example, our exposure to scope 1 and 2 carbon pricing risk reduces significantly by 2040, the target date for our net zero carbon commitment. Therefore, the identified risks were considered as we set our net zero carbon targets and associated boundaries.

#### Risks

Risk Type	Торіс	Time Horizon	Risk Driver	Description and Business Impact
Transition Risk / Policy Risk	Carbon Pricing	Medium-term	Increased cost due to taxes and regulations	Increased pricing on GHG emissions may increase our operating costs over time. N properties, which include manufacturing, distribution, R&D and office facilities glo cap and trade schemes in regions where we operate and/or where we source our our sites emit over the allowance threshold, since these sites would need to purch
Transition Risk / Market Risk and Suppliers	Carbon Pricing	Medium-term	Increased risk on supplier operating costs	Introduction of carbon pricing and/or cap and trade schemes in regions where our suppliers' operating costs. This may, in turn, directly or indirectly increase the cost and other necessary services. Suppliers who do not have robust GHG reduction str reduce their operating costs may face challenges continuing to operate, which may

We own or lease approximately 320 bally. Introduction of carbon pricing and/or materials can increase our operating costs if nase allowances.

key suppliers operate might impact our of our raw and packaging materials, logistics rategies or who are otherwise unable to lead to disruptions to our supply chain.



#### Risks

Risk Type	Торіс	Time Horizon	Risk Driver	Description and Business Impact
Transition Risk / Reputational Risk	Contribution to climate change	Medium-term	Increased risk on reputation and intangible assets	Our stakeholders, including investors, customers and consumers, are increasingl our efforts to manage and address our climate impact, any failure to achieve our or the perception (whether or not valid) that we have failed to act responsibly with respond to new or additional requirements regarding climate action, could result reputation, business, results of operations, cash flows and financial condition.
Transition Risk / Market and Reputational Risk	Deforestation	Short-term	Increased risk on reputation due to consumer preferences and increased stakeholder concern	We have identified potential reputational risks associated with deforestation. There other key stakeholders to increase the traceability of commodities, such as pulp an oil and beef and beef tallow, which are our four major forest commodities. Our repu perceived not to) act responsibly with respect to the environmental and social impa practices or otherwise, which could adversely affect our business, results of opera
Transition Risk / Technology Risk	Substitution of products with low-emitting alternatives and increased transparency	Long-term	Increased risk of revenue or market share loss	Consumer preferences are evolving as consumers are increasingly looking for pr addressing their climate change-related impact by launching products, packaging profiles. Consumers are also interested in increased transparency on material so they purchase. We are also identifying potential opportunities for assessing and o products. Our ability to innovate and develop more sustainable solutions to our pr carbon emissions during their use phase, and adjust our formulations, ingredient consumer preferences in a timely manner or at all could hinder the growth of our position or adversely affect our business, results of operations, cash flows and fin
Physical Risk / Acute	Increased frequency of extreme weather events	Short-term	Increased cost due to damage and supply chain disruptions	Our operations, including our facilities, supply chain and our logistics networks, n disasters, such as hurricanes, typhoons, droughts, floods, water scarcity and oth these acute physical risks could adversely affect our business and global supply financial condition.
Physical Risk / Chronic	Extreme heat, drought, sea level rise and water access	Medium-term	Increased cost of materials and supply chain disruption	Changes in weather patterns, the frequency and severity of extreme weather and temperatures have the potential to impact the cost and availability of raw and pac resins, tropical oils, pulp, tallow, corn, poultry and soybeans. The predicted effect challenges regarding the availability and quality of water. The impacts of these pr affect our business and global supply chain, results of operations, cash flows and

gly focused on our climate impact. Despite climate targets (in a timely manner or at all) th respect to such matters or to effectively t in adverse publicity and adversely affect our

e is strong interest from NGOs, consumers and nd paper, palm oil and derivatives, soy and soy putation could be damaged if we do not (or are acts of deforestation through our procurement ations, cash flows and financial condition.

roducts and services from companies that are ig and services with improved sustainability ourcing and climate impacts of the products communicating the carbon footprint of our products, such as products that require less ts, packaging or supply chain to meet evolving r business, compromise our competitive inancial condition.

may be disrupted or damaged by natural ner extreme weather events. The impacts of chain, results of operations, cash flows and

I natural disasters and rising global ckaging materials, such as essential oils, ts of climate change may also exacerbate rogressive physical risks could adversely I financial condition.

#### **Opportunities**

Opportunity Type	Торіс	Time Horizon	Opportunity Driver	Description and Business Impact
Resource Efficiency	Use of more efficient production and distribution processes	Short-term	Reduced indirect (operating) costs	Using resources like energy and water more efficiently is not only an opportunity purchase costs of those resources, but also a cost avoidance opportunity if potent materialize. In the case of energy, the lower energy consumption and GHG emission the cost impact. In the case of water, the less water we rely on for our production impacts from water scarcity events. Considering these risk mitigation opportunities shadow water price can make investments in water and energy efficiency projects
Resource Efficiency	Reduced water usage and consumption	Short-term	Increased revenues from increased demand for products and services	The majority of our GHG emissions is associated with the consumer use of our pro- total carbon footprint. By influencing the formulation of our products and the design behavior during product use and waste disposal, we have the opportunity to help It is also an opportunity to work with our customers to deliver this messaging to c significant Scope 3 GHG emissions, Colgate is committed to promoting water cons global consumers and reducing 20% consumer product use emissions by 2025 ag make all our packaging recyclable, reusable or compostable by 2025 alongside ot
Energy Use	Use of lower- emission sources of energy	Medium-term	Reduced indirect (operating) costs	Colgate's targets to reduce absolute Scope 1 and 2 GHG emissions in global opera a 2020 base year, and to use 100% renewable electricity by 2030 will require rene procurement via on-site solar installations, renewable energy credits, virtual pow power alternatives. Not only can these measures make our energy sourcing more reduce our Scope 2 GHG emissions. This reduction also helps avoid cost impacts f affect our facilities in certain regions.

to drive savings from reducing the direct tial carbon pricing or water scarcity risks ons that we are responsible for, the lower process the less exposure we have to cost ies by means of a shadow carbon price or ts more attractive and valuable.

oducts -- accounting for about 80% of our ign of our packaging as well as consumer reduce both our water and carbon footprint. consumers. As a way to reduce our most servation awareness to 100 percent of our gainst a 2016 baseline. We have a target to ther packaging targets.

ations 20% by 2025 and 42% by 2030 from ewable electricity implementation and ver purchase agreements and utility green e diversified and resilient, but they can also from potential carbon tax schemes that may



#### **Opportunities**

Opportunity Type	Торіс	Time Horizon	Opportunity Driver	Description and Business Impact
Products & Services / Access to New Markets	Product and supply chain transparency	Short-term	Increased revenues from increased demand for products and services	Consumers are demanding increased transparency about the ingredients and purp visibility into our products' supply chain. Providing such information is an opportun and maintain our market share and competitive position. With the Colgate brand in tremendous opportunity to influence consumer behavior to, among other things, he of people's lives. We also disclose ingredient information on many of our local bran care products are also available on our A-Z list. We share ingredient information at digital platform that provides a wide range of product details that cannot fit on a pa are, why they are in the product and what they do. Colgate's target is to provide 100

## Impact of Climate-related Risks and Opportunities on the Organization's Businesses, Strategy and Financial Planning.

The potential impacts of the climate change-related risks and opportunities on our business and our strategy to address them are described below. We are working to improve our methods for mitigating climate-related risks and, in 2022, introduced our updated climate strategy, including our Climate Action & Net Zero Carbon roadmap, which aligns with our 1.5°C commitment. Our climate strategy addresses five key areas: supply chain engagement, net zero carbon operations, sustainable products and consumers, business resilience and society and nature. This roadmap includes, but is not limited to energy reduction across our operations, development and execution of a renewable energy master plan, our renewable energy credit and virtual power purchase agreement structure and supplier engagement. Our climate strategy is externally aligned with the SBTi.

pose of such ingredients in our products and hity to address the needs of our consumers more homes than any other, we have a help make sustainability an easy, everyday part ad websites and the ingredients in our oral bout many of our products via SmartLabel®, a ackage label. It explains what the ingredients 0% ingredient transparency.

#### Colgate's Strategy to Respond to Climate Risks and Opportunities

#### **Products and Services**

**Consumer Preferences:** To meet the demands for products with an improved sustainability profile, we have launched projects that will help us improve material traceability and product footprint management. Additionally, the majority of our GHG emissions are associated with the consumer use and disposal of our products. Our R&D and procurement teams are working to design more sustainable products while maintaining a positive consumer experience, efficacy, quality or pricing. We evaluate the potential of reputational impacts affecting our sales and therefore strategize our approach to product development through to marketing over both the short- and medium-term time horizons.

**Transparency:** In order to assess the carbon footprint of our products, we are working with our stakeholders, including our suppliers, customers, consumers, industry trade associations and NGOs. Additionally, efforts to automate data collection on climate impacts of our products will enable us to gain visibility on sourcing and material sourcing opportunities to further improve our carbon footprint.

**Deforestation:** We believe Colgate has made significant progress in policy development on commodity sourcing and deforestation. We published a No Deforestation Policy covering the following forest commodities: palm, soy, beef tallow and paper based materials. Colgate also has a standalone policy on the Responsible and Sustainable Sourcing of Palm Oils, and established a Responsible Soy Procurement Policy in 2020. Our global sourcing teams manage the suppliers of commodities work to ensure understanding, communication and execution of our commitments. As a result of these efforts, we are better placed to understand deforestation-related risks and opportunities and reflect those in our approach to product development and packaging.

#### **Suppliers and Consumers**

**Suppliers:** Approximately 15% of our carbon footprint across our value chain is generated as a result of our Scope 3 purchased goods and services and capital goods. Our reductions efforts with our suppliers can have global impacts by improving the carbon footprint of many other businesses beyond our operations. We have set science-based targets to reduce our carbon emissions across our entire value chain. We are encouraging our key material suppliers to set science-based climate targets, assess their climate and water risks, improve their energy efficiency and increase their use of renewable energy. In addition, our climate engagement efforts are helping suppliers innovate to provide us with lower-emissions ingredients and packaging as well as carbon footprint data. We also have contingency plans for our procurement team to address any climate impacts disrupting our suppliers' ability to deliver raw and packaging materials.

**Customers and Consumers:** We are working to design more sustainable products and focusing on messaging which helps consumers build healthier and more sustainable habits for life. Since consumers are key stakeholders within our value chain, as a way to reduce our most significant Scope 3 GHG emissions, we developed our worldwide Save Water campaign in 2016, which aims to increase consumer awareness through messaging on our packaging, online and in stores. The Save Water message appears on packaging for our toothpaste, toothbrushes, soaps and cleaning products. Thanks to the ongoing efforts of Colgate People around the world, we are helping drive greater awareness of water issues among consumers, customers and Colgate People.



#### Colgate's Strategy to Respond to Climate Risks and Opportunities

#### **Operations**

We are committed to decarbonizing our operations to align with limiting global temperature rise to 1.5°C above pre-industrial levels and we have set a net zero carbon target for our global operations by 2040 as well as a 100% renewable electricity in our global operations by 2030. We have held webinars to roll out our targets and strategy to our operational teams to educate them on how to take action to decarbonize their activities and encourage them to take such action. Topics included defining net zero carbon and highlighting the main tactics available, such as renewable energy sourcing, energy efficiency upgrades and the identification of process improvements. Based on the release of the new SBTi Net Zero Carbon Standard in late 2021, we established science-based near-term, long-term and net zero carbon by 2040 emissions targets across our operations and supply chain, which were approved by SBTi in 2022.

Several initiatives, many already in progress, will drive progress toward our net zero carbon target. Benchmarking the sustainability of our operations through third party certifications and recognitions gives our efforts more credibility. As of December 31, 2022, we have 21 facilities in North America, Latin America, Asia and Europe that have achieved 30 LEED certifications and, since 2011, 95 U.S. EPA ENERGY STAR® Challenge for Industry Awards have been achieved by Colgate manufacturing sites, with three awards achieved in 2022. It is our goal to achieve TRUE certifications for zero waste at 100% of our operations, which we define as our manufacturing facilities, owned and operated warehouses, global technology centers and strategic offices, by 2025. In 2022, six more of our sites achieved TRUE certification for zero waste. As of December 31, 2022, we had 32 facilities achieve TRUE certifications for zero waste in 19 countries on five continents, more than any other company. The "Top 10" Planet Actions program is an internally developed program that prioritizes energy, water and waste actions that all Colgate manufacturing and technology sites can complete. These actions are identified as those that support sustainability initiatives as well as global engineering initiatives. In the area of climate, these actions are focused on, for example, improving energy efficiency by implementing submetering, continuous steam traps monitoring systems and performing compressed air leak inspections. Our "5% for the Planet" program helps ensure that our global manufacturing capital expenditure budget on energy reduction, water conservation and reduction of waste to landfill, with at least two percent of the manufacturing capital budget targeted specifically toward energy efficiency projects. Since the inception of the program in 2011, Colgate has invested more than \$313 million in over 1,600 projects, delivering an estimated savings of more than \$100 million.

To address the physical risks of climate change to our operations, we have a long-standing operations risk management process that includes managing the effects of episodic climatic events, such as storms, floods, droughts and temperature extremes, to our facilities and supply chain. We are committed to developing a long-term strategy to mitigate risks from climatic events. As part of this process, we assess potential climate vulnerabilities and risks to ensure our business is able to respond to and recover from climatic events. As part of our property loss-prevention program, our strategic manufacturing sites are highly protected against risks. Third-party assessments on property loss control are conducted annually for all strategic sites. Additionally, we develop and routinely update category contingency product sourcing plans to respond to, among other things, climatic events, including their impact on the availability of raw and packaging materials and logistics.

#### Colgate's Strategy to Respond to Climate Risks and Opportunities

#### **Investment in Research and Development**

As a way to reduce our most significant Scope 3 GHG emissions, we first committed to increasing the recycled content of our packaging to 50 percent by 2020, achieving 52% recycled content by the end of 2020. We then enhanced our target, committing to design and deliver zero plastic waste solutions for our products to eliminate one-third of new (virgin) plastics by 2025. Our R&D and procurement functions also help design and manage product formulations to minimize both risk and costs. We are designing products that allow consumers to use less water or temperate water, evaluating options to replace carbon intensive materials and strategically sourcing and using commodities in a way that minimizes the deforestation risk. These efforts require significant investment in research and development to achieve, with the time horizon of influence ranging from short- to long-term depending on the effort. For example, we conducted a full value chain carbon footprint analysis that has provided us valuable insight into the environmental impacts of our products. One of the outcomes was our target for all of our packaging to be recyclable, reusable or compostable by 2025, and to drive sustainability with transformational product and process innovation. After five years in the making, we launched a first-of-its-kind recyclable toothpaste tube in 2019, the first-oral up a third party assessment, we also estimate that our conversion to recyclable toothpaste tubes has additional carbon avoidance and water savings benefits. Since introducing our first-of-its-kind recyclable toothpaste sKUs globally to recyclable tubes and are working to transition the remainder of our toothpaste portfolio by 2025. We continue to share the technology with third parties to encourage recyclability of all tubes in practice and at scale. We are continuing with our research to convert all of our efforts to increase the recyclability of toothpaste tubes.

\* During this transition phase, not all communities may accept tubes for recycling. Consumers should check with their local community programs. Learn more at www.colgate.com/goodness.

#### **Capital Expenditure and Investments**

Our longstanding capital program strategic framework recognizes and prioritizes investments in projects that support our sustainability goals. Specifically, the capital program recognizes and supports the investments we make in the areas of renewable energy, energy efficiency, water efficiency, zero waste and product recycle, reduce and reuse projects. Additionally, our well-established "5% for the Planet" initiative helps ensure that our global manufacturing sites identify, fund and implement climate, energy, water and waste projects that deliver environmental improvement and often cost savings. Planet projects deliver energy and carbon reduction, enabling us to maintain emission levels below regulatory thresholds in most geographies.

We also developed a Renewable Energy Master Plan in 2021, which helps us identify and prioritize renewable energy opportunities at our facilities around the world. Within the renewable energy master plan, our divisions develop and evaluate various renewable energy options, such as on-site solar, utility green power, renewable energy certificates and virtual power purchase agreements. This exercise helped us identify and prioritize renewable energy opportunities at all of our facilities around the world, and helps facilitate planning for capital allocations and investment for the coming years. We repeat this evaluation exercise as needed to provide up-to-date recommendations to our sites for renewable energy opportunities as markets where we operate continue to mature and evolve as we strive to hit our 2030 goal of 100% renewable electricity.

In addition, in support of our 2025 Sustainability & Social Impact Strategy, in November 2021, we issued €500 million of eight-year notes at a fixed coupon rate of 0.300% (the Sustainability Bond). We have allocated an amount equal to the net proceeds of the Sustainability Bond to finance or refinance, in part or in full, projects and programs with distinct environmental and/or social benefits pursuant to our Sustainable Financing Framework, which is available on the investor center section of our website.

## **IV-RISK MANAGEMENT**

## Enterprise Risk Management

Colgate uses an Enterprise Risk Management (ERM) program to identify, prioritize and manage risks. Risks are collectively identified across the organization and are classified within the strategic, financial, operational, information technology, legal & compliance and emerging risk categories. Each risk category is assigned to a member of Colgate's ERM Committee, who is ultimately accountable for managing the identified risk.

For each risk identified, the appropriate teams are engaged to develop and implement a plan that includes process definition, communication plan requirements, ongoing measurement/monitoring as well as improvement plans and training to enhance risk mitigation. Each risk sponsor updates the ERM Committee on their respective risks mitigation plans and results for discussion and oversight. Each risk is assessed to determine probability and severity of the risk and assigned a score accordingly. These risk scores allow Colgate to determine the relative significance of each risk in relation to other risks.

As it relates to climate risks, the risk sponsor engages with our sustainability and supply chain functions, and other internal and external stakeholders, to understand the level of importance and potential climate-related impacts related to brand reputation, operational disruption, supply availability and cost, customer/ consumer awareness and NGO/regulatory activity.

We evaluate matters on a case-by-case basis to determine whether they have a substantive financial or strategic impact on our business over the short-, mediumand long-term. When evaluating particular matters, we consider, among other factors, the size of the business units impacted, the size of the impact on those business units, whether the impact to the Company's business is continuing and whether the Company is able to offset such impact and the potential for stakeholder or reputational impact.

Processes for identifying and assessing climate-related risks.

#### Water Security Task Force

One of the main physical risks of climate change is water scarcity, yet identifying the water scarcity risk alone is not enough to understand water risks holistically and ensure water security. This is why in 2021 we set up a Water Security Task Force with the primary objective to develop a comprehensive water security framework and recommend water security assessment tools for Colgate's global operations. This framework considers, for each location, the water availability at the source, water rights and regulations, utility infrastructure and reliability and local water governance. The Task Force is composed of representatives from the following functions: sustainability, manufacturing, engineering, facilities, risk management and legal. Together, they are gathering data, both internally and with external partners, for each of the four components to assess overall water security at each site. The risk of water availability at the source is identified using the World Resources Institute (WRI) Aqueduct Water Risk Atlas. The Aqueduct tool uses open-source, peer reviewed data to map water risks, such as floods, droughts and stress. We consider sites to be "water stressed" when the Aqueduct tool classifies the location as "Extremely High Risk" in the Baseline Water Stress indicator. We are now complementing this risk assessment with another third party water risk assessment tool, which incorporates Colgate-specific data gathered through internal surveys regarding regulatory, utility and local community risks.

#### Consideration of existing and emerging regulatory requirements related to climate change

As a global company, we are subject to extensive governmental regulations, including environmental rules and regulations, in the U.S. and abroad. It is our policy and practice to comply with all government regulations applicable to our business. We monitor the existing and evolving legal and regulatory requirements, including those intended to reduce or mitigate the effects of climate change on the environment and relating to GHG emissions (e.g., carbon pricing), alternative energy policy and additional disclosure requirements. In addition to our legal and regulatory functions, we have an ESG Reporting Task Force with representatives from the investor relations, legal, supply chain, sustainability, corporate communications and finance functions. This Task Force is monitoring emerging regulatory requirements and/or guidance, including from the Securities and Exchange Commission, the European Union and International Sustainability Standards Board.



# **V-METRICS AND TARGETS**

### **Our GHG and Energy Key Performance Indicators**

Below are our annual estimated GHG emissions and energy key performance indicators (KPIs) for 2015 to 2021, together with related definitions. We are in the process of gathering and verifying data on our GHG emissions and energy KPIs for 2022. This information will be included in <u>Colgate's 2022 KPI table</u> and made available on the sustainability section of our website.

We follow the Greenhouse Gas Protocol as our criteria for collecting activity data and estimating our Scope 1, Scope 2 and Scope 3 GHG emissions. We engage with a third party climate accounting consultant to estimate applicable scopes and categories for our annual GHG footprint inventory. In addition, we work with a third party to conduct a review of our GHG inventory, with the intention of providing limited assurance as to the accuracy and completeness of our Scope 1, Scope 2 and Scope 3 GHG emissions sources and estimates.

KPI	Unit	2015	2016	2017	2018	2019	2020	2021
Emissions								
Scope 1 (without fugitives)	Thousand MT of CO2-e	203	203	195	190	191	199	212
Scope 1 (including fugitives)	Thousand MT of CO2-e	-	_	_	196	198	204	219
Scope 2 (Market-Based)	Thousand MT of CO2-e	389	324	316	302	283	255	267
Scope 3 Emissions	Thousand MT of CO2-e	54,155	54,710	51,570	48,299	48,680	45,721	40,539

КРІ	Unit	2015	2016	2017	2018	2019	2020	2021
Energy								
Total Energy Consumption per MT	MWh/ MT of Product Shipped	0.37	0.36	0.36	0.36	0.35	0.33	0.35
Renewable Electricity Usage (%)	%	8%	22%	24%	27%	28%	35%	32%

Definitions and Explanations on KPIs	
Scope 1 (without fugitives)	Scope 1 emissions include CO2-e emissions attributable to fossil fuels consumption from our manufacturing and Global Technology Ce fugitive emissions.
Scope 1 (including fugitives)	Scope 1 emissions include CO2-e emissions and fugitive emissions attributable to fossil fuels consumption from our manufacturing an
Fugitive Emissions	Emissions that are not physically controlled but result from the intentional or unintentional releases of GHG emissions. They commonly and processes such as refrigeration and air conditioning systems, fire suppression systems, and the purchase and release of industria
Scope 2 (market-based)	Scope 2 emissions (CO2-e) were determined via the market-based method. Includes the emissions associated with purchased electric
Scope 3	Includes Scope 3 emissions from relevant categories. For 2016 through 2021, includes an estimate of the impact of our Save Water car emissions from Use of Sold Product.
Total Energy Consumption	Includes energy attributable to fossil fuel consumption + purchased electricity + purchased steam + onsite renewable energy that is ge
Total Energy Consumption per MT	Includes total energy consumption divided by net manufactured for shipment.
Renewable Energy Usage (%)	Until 2020, this KPI included renewable electricity that is generated onsite and consumed onsite plus purchased Renewable Energy Ce purchased electricity. As of 2021, this includes renewable electricity that is purchased via Renewable Energy Certificates, Utility Green Power Agreements and Virtual Power Purchase Agreements, expressed as a percentage of total electricity consumption.

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city and purchased steam.

mpaign. 2014 data does not include Scope 3

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ertificates (RECs) expressed as percentage of Power products, physical Power Purchase

## **Our Climate Targets**

Underlying Colgate's climate commitments are science-based targets focused on a net zero carbon transition. Our current targets for Scopes 1, 2 and 3 GHG emissions were approved by the SBTi in 2022 following the release of the new SBTi Net Zero Carbon Standard, which is aligned with a 1.5°C decarbonization pathway.

#### By 2025:

- Reduce scope 3 GHG emissions from Purchased Goods & Services by 20% against a 2020 baseline
- Reduce scope 1 and 2 GHG emissions in operations by 20% against a 2020 baseline
- Avoid GHG emissions from consumer use by 20% against a 2016 baseline
- Reduce manufacturing energy intensity by 25% against a 2010 baseline

#### Bv 2030:

- 100% renewable electricity in global operations
- Reduce scope 3 GHG emissions from Purchased Goods & Services by 42% against a 2020 baseline
- Reduce scope 1 and 2 GHG emissions in operations by 42% against a 2020 baseline

- Bv 2040:
- Net Zero carbon emissions across the value chain\*
- Reduce Scope 1, 2 and 3 GHG emissions\* by 90% against a 2020 baseline\*\*

Excludes Scope 3 Categories 9, 11 and 12

#### Legal Notice: Forward-Looking Statements

All statements in this report that are not historical, including targets for and projections for future results, the expected achievement and effect of our sustainability strategies and initiatives, including our 2025 Sustainability & Social Impact Strategy, and the amounts and timing of their expected impact are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the U.S. Securities and Exchange Commission (SEC). Forward-looking statements generally can be identified by words such as "believes," "expects," "estimates," "intends," "plans," "strives," "may," "could," "projects," "should," "will," "continue," "targets" and other similar expressions, and are based on management's views and assumptions as of the date they were made. This report is issued as of May 26, 2023 and except as required by law, we undertake no obligation to update these statements as a result of new information and we make no representation, express or implied, that the information is still accurate or complete. We caution that such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. Information about factors that could impact our business and cause actual results to vary, possibly materially, from these forward-looking statements, can be found in this report and in our filings with the SEC, including the information set forth under the captions "Risk Factors" and "Cautionary Statement on Forward-Looking Statements" in Colgate's Annual Report on Form 10-K for the year ended December 31, 2022 and subsequent Quarterly Reports on Form 10-Q.

The inclusion of climate-related risks in this report should not be construed as a characterization regarding materiality or the anticipated financial impact of these risks. Issues identified as material for the purposes of this report may or may not be considered material for SEC reporting purposes. For additional information, please see "Risk Factors" and "Cautionary Statement on Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2022 and subsequent SEC filings.

As of the issuance of this report, we are in the process of gathering and verifying data relating to our 2022 GHG emissions and energy consumption; this information will be included in our KPI table and available on the sustainability section of our website.

Excludes Scope 3 optional emissions per SBTi Net Zero Standard.