

# Greenhouse gloss

Is the beauty industry's  
commitment to tackling climate  
change more than skin deep?



INTRODUCTION

# About the report

This report assesses the credibility of the Net Zero commitments of the ten highest-revenue global beauty and personal care companies, using the Carbon Trust's Net Zero Reality Check.

This report is the first in a series from the Carbon Trust's Net Zero Intelligence Unit on the credibility of sectoral commitments to Net Zero.

## Acknowledgments

The Carbon Trust's Net Zero Intelligence Unit produced this report based on an impartial analysis of publicly available information including sustainability reports, annual reports and emissions reports. Our thanks to Paul Huggins and George Mowles van der Gaag for developing the Net Zero Reality Check tool and supporting the publication of this report. Thanks also to John Newton, Christine Davies, Pauline op de Beeck, Leo Cheung and Jack Judd for sector advice, Marta Iglesias for reviewing this report and Chloe St George for additional research.

## About the Net Zero Intelligence Unit

The Net Zero Intelligence Unit provides experience-led insights to accelerate global progress towards Net Zero. The Unit is a dedicated team focussed on raising ambition, awareness and action on Net Zero by drawing on the Carbon Trust's 20 years' experience of working with businesses, governments and financial institutions globally.

The Carbon Trust is a global network of 400 experts with offices in the UK, the Netherlands, South Africa, China, Singapore and Mexico. To date, the Carbon Trust has helped set 200+ science-based targets and guided 3,000+ organisations in 70 countries on their route to Net Zero.

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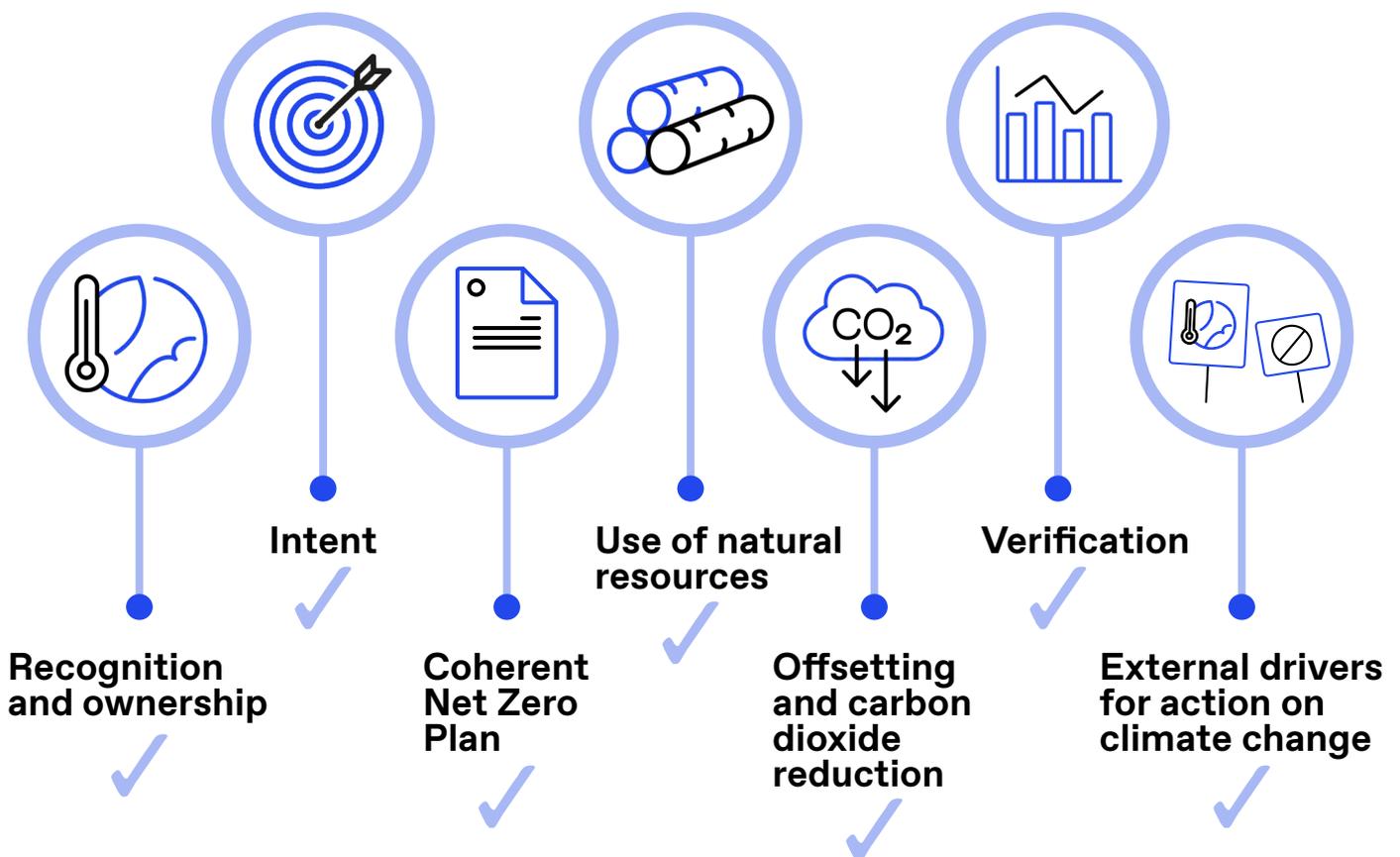
# Executive summary

From celebrity skincare brands to new formulations of old favourites, the market for beauty and personal care products is experiencing a rapid expansion. One element influencing this is consumer demand for products which minimise environmental impact. A 2020 British Beauty Council survey found 41% of consumers felt guilty about the environmental impact of beauty and grooming products<sup>1</sup>. This demand is leading to a boom in the number of beauty products and brands marketed as ‘clean’, ‘green’ and ‘sustainable’.

However, beyond the polluting impact of plastic packaging, there is limited awareness of other environmental impacts of the beauty and personal care sector. The production, distribution and use of beauty products all produce greenhouse gas emissions which drive climate change. To ensure the world reaches the Paris Agreement’s goal of limiting global warming to 1.5°C, greenhouse gases must be reduced to Net Zero by 2050. All sectors must play their part by urgently reducing emissions.

This report assesses the urgency and credibility of the beauty and personal care sector’s Net Zero commitments using a new test: **the Carbon Trust’s Net Zero Reality Check**. The assessment is based on analysis of the most recent annual reports, sustainability reports and emissions reports of ten of the highest revenue global beauty and personal care market players: L’Oréal, Unilever, P&G, Estée Lauder, Shiseido, Beiersdorf, LVMH, Kao, Coty and Johnson & Johnson.

## The Carbon Trust’s Net Zero Reality Check: Seven metrics for assessing Net Zero commitments



<sup>1</sup>The Courage To Change | British Beauty Council Report 2020 by HUBBUB - Issuu

### Our five key findings are:

- 1. None of the world's 10 largest beauty companies have set an independently validated Net Zero target. Three of these companies have failed to commit publicly to a Net Zero target at all.** All beauty and personal care companies should follow international best practice by making a public pledge to reach Net Zero by 2050 or earlier, and then seeking validation of their Net Zero target from the Science Based Targets initiative (SBTi).
- 2. Reports from some beauty and personal care companies show their emissions are increasing.** This suggests that some of the largest companies within the sector are not reducing emissions with the urgency required to deliver Net Zero.
- 3. The beauty and personal care sector should take, and share evidence of, more action to address emissions from sourcing raw materials. This accounts for around 30-50% of the sector's emissions.** Companies should set specific targets focussed on reducing emissions from sourcing of raw materials, and report on progress to meet them.
- 4. Just three companies of the ten analysed have clear targets for eliminating deforestation from their supply chains,** without relying on responsible sourcing credits. Deforestation releases harmful CO<sub>2</sub> and contributes to biodiversity loss, it must be eliminated as a priority. Amidst growing consumer demand for 'natural' ingredients, companies should commit to operating their business models within planetary boundaries.
- 5. Consumer use of beauty and personal care products often generates more emissions than the products or their packaging, yet commitment to tackling these emissions is limited.<sup>2</sup>** These 'use-phase' emissions reflect a significant proportion of the sector's emissions, yet only two companies evidenced clear plans to tackle them. More action is needed from the sector to educate consumers on the environmental impact of their beauty and personal care routines and to innovate products that minimise the need for hot water.

The value of the 'clean' beauty market is expected to reach US\$22 billion by 2027. The Carbon Trust believes the rising demand for these products provides an opportunity for the sector to galvanise action on Net Zero and ensure sustainability claims reflect a high standard of progress on reducing greenhouse gas emissions. This makes climate and business sense for the beauty industry. Without taking credible action, there is a risk of 'greenhouse gloss' in the sector, with words failing to translate into meaningful action.

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<sup>2</sup> Rinse-off products, such as shampoo and face wash, require the use of hot water, which generate emissions due to the use of energy. These indirect use-phase emissions can account for up to 80% of the overall emissions for a beauty company, but are not within the scope of Net Zero targets as set out by the Science Based Targets initiative. However, the Greenhouse Gas Protocol recommends that companies report and take action on them if they are expected to be significant. The beauty and personal care companies assessed put this indirect consumer-use at somewhere between 40-80% of their total greenhouse gas emissions.

# About the beauty and personal care sector

From soap to serum, and shaving foam to shampoo, beauty and personal care products are part of everyday life for many of us. While there has been significant scrutiny of the impact of these products on wildlife, such as the effect of microplastics on marine life<sup>3</sup>, comparatively little attention has been paid to the sector's contribution to climate change and progress towards reaching Net Zero greenhouse gas emissions. However, beauty and personal care is a growing industry that will need to undergo a transition to remain relevant in a Net Zero world and support the international goal of limiting global warming to 1.5°C.

## Revenue and growth

The global beauty and personal care consumer goods sector is sizeable. The international beauty and personal care market in 2022 was worth an estimated US\$528 billion, according to Statista.<sup>4</sup> Within this broad sector, the cosmetics industry is experiencing rapid growth. Forecasts suggest the global cosmetics market alone will grow from an estimated US\$287 billion in 2021 to US\$415 billion in 2028.<sup>5</sup>

The sector has also seen an explosion of new brands on the market. In the UK, data from Companies House illuminates just how many new beauty companies are joining the market. Before 2014, fewer than 500 registered companies had 'beauty' in their name, but in each year since then, more than 500 companies with beauty in their name have registered. Together, these 'beauty' companies amount to a quarter of all incorporations registered through Companies House UK.<sup>6</sup>

Globally, market revenue is dominated by large multinationals that own a vast array of beauty and personal care brands. Within the sector, demand for eco-friendly beauty products is expected to grow.<sup>7</sup> Consumer expectation for products with limited impact on the environment is growing, leading to the creation of the buzzword 'clean beauty'.<sup>8</sup>

## Clean beauty

'Clean beauty' is a subjective term, loosely used to describe products produced with safe, natural, organic or eco-friendly credentials. The demand for 'clean' products is expected to rise significantly, with the global market expected to be worth US\$22 billion next year, according to Statista. There have been calls to regulate the use of terms such as clean and sustainable within the beauty industry, but at present there are no standards products must meet in order to be marketed this way.

<sup>3</sup> [Plastics in Cosmetics: Are we polluting the environment through our personal care \(Factsheet\) | UNEP - UN Environment Programme](#)

<sup>4</sup> [Beauty & Personal Care - Global | Statista Market Forecast](#)

<sup>5</sup> <https://www.fortunebusinessinsights.com/cosmetics-market-102614>

<sup>6</sup> Note that this data will likely include companies that offer beauty services, such as salons and clinics, but is illustrative of the increase in demand for beauty products and services overall. [The expansion of the beauty industry in the UK - Companies House \(blog.gov.uk\)](#)

<sup>7</sup> [Shopper Demand For Clean Beauty And Increased Transparency Continues \(forbes.com\)](#)

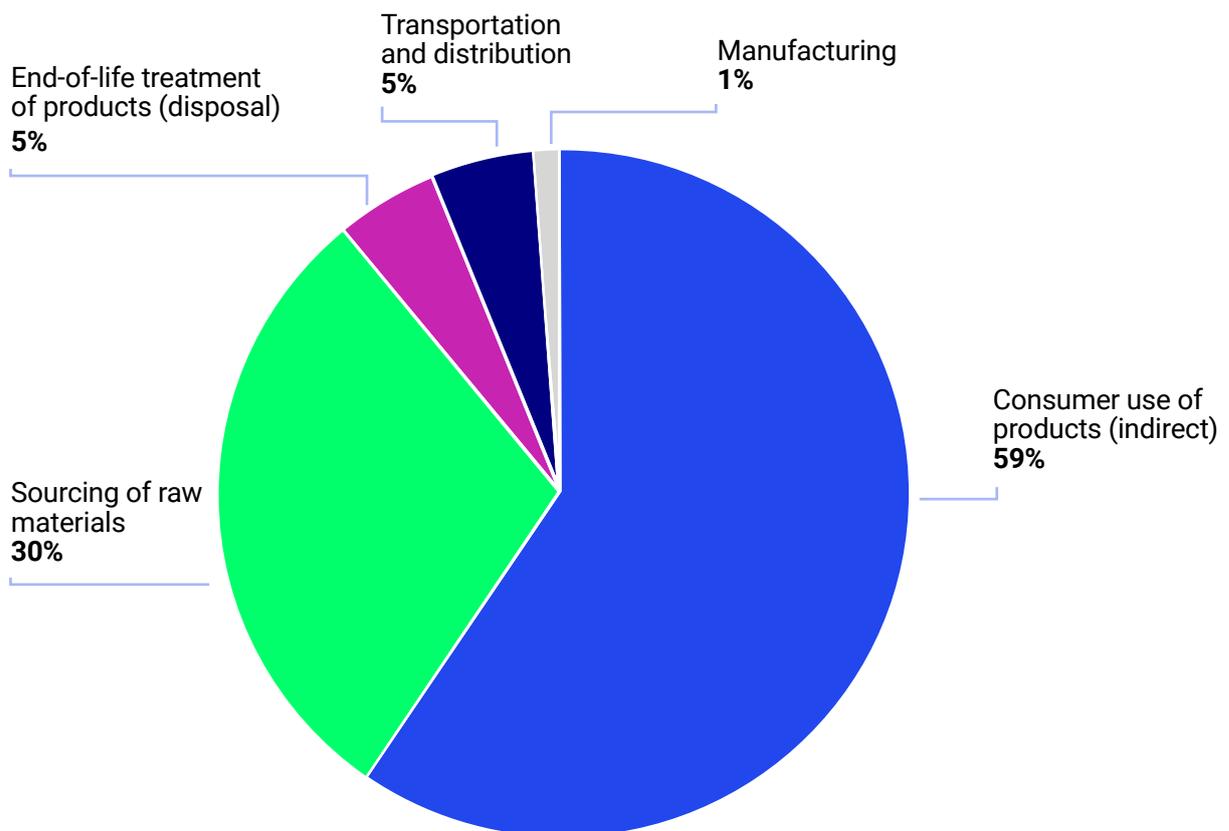
<sup>8</sup> [Clean Beauty Explained | British Vogue](#)

# Environmental impact

Despite its high levels of growth, there is comparatively limited mainstream understanding of sources of greenhouse gas emissions created by the beauty and personal care sector. However, the British Beauty Council noted in 2020 that while other sectors such as transport and agriculture are now heavily regulated, the beauty industry has evolved to become an ever more significant source of pollutants.<sup>9</sup> The vast majority of the sector’s greenhouse gas emissions come from two activities:

- 1. Sourcing of raw materials to make products and packaging.** This includes fossil-fuel based synthetic ingredients, extracted minerals such as mica and sourced raw materials that can lead to deforestation, such as palm oil and wood pulp. Companies assessed attributed around 30-50% of their emissions<sup>10</sup> to this activity, which makes this a key priority for the beauty and personal care sector.
- 2. Consumer use of products.** The hot water required for many rinse-off beauty products, such as shampoo and shaving foam, is often generated through energy derived from fossil fuels. The companies assessed attributed between 40-80% of their overall emissions to this activity. Although these emissions are ‘indirect’, they are significant and should therefore be tackled by the beauty and personal care sector.

## Beauty and personal care sector: where emissions come from\*



\*Approximate percentages based on Carbon Trust footprinting for beauty sector clients and analysis of publicly available emissions reports.

<sup>9</sup> [The Courage To Change by britishbeautycouncil - Issuu](#)

<sup>10</sup> This percentage refers to the proportion of ‘direct’ emissions, excluding indirect consumer use-phase emissions.

# Methodology: The Carbon Trust's Net Zero Reality Check

## Why?

Since the IPCC's Special Report on 1.5°C in 2018<sup>11</sup>, there has been a significant increase in the number of Net Zero targets set at national, subnational and corporate levels. COP26 in Glasgow in 2021 was a watershed moment for the proliferation of corporate climate commitments, with over 90% of global GDP now covered by Net Zero targets<sup>12</sup>. This broad spread of targets is very welcome, however proper governance of Net Zero is essential: words must translate into action.

Although details will vary, every sector will have to follow a similar route to Net Zero. To get there, interim targets must reflect the urgent need for greenhouse gas emissions reductions before 2030. Long-term plans should reflect a credible commitment to reducing approximately 90% of emissions by 2050 or earlier, at which point carbon removals can be used to neutralise any remaining emissions.

However, it can be challenging to assess the strength of corporate action within a sector, leading to risks of greenwashing. Consistency, both across and between sectors, is essential to drive urgent and effective climate action, while disincentivising weak Net Zero commitments.

COP27 saw growing calls for centralised, international standards for Net Zero to help call time on greenwashing. The report of the UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (UN HLEG)<sup>13</sup> and the ISO Guidelines on Net Zero<sup>14</sup> both highlighted essential criteria for Net Zero pledges and plans. The research in this report draws on these international standards but focuses on key metrics for assessing Net Zero commitments.

## How?

The Carbon Trust has developed a test for assessing the credibility of Net Zero commitments, based on its long-standing experience of working with governments, businesses and financial organisations to drive decarbonisation. The Carbon Trust's Net Zero Reality Check focuses on seven key metrics which combine to reveal the urgency and credibility of an organisation's Net Zero commitments (see next page).

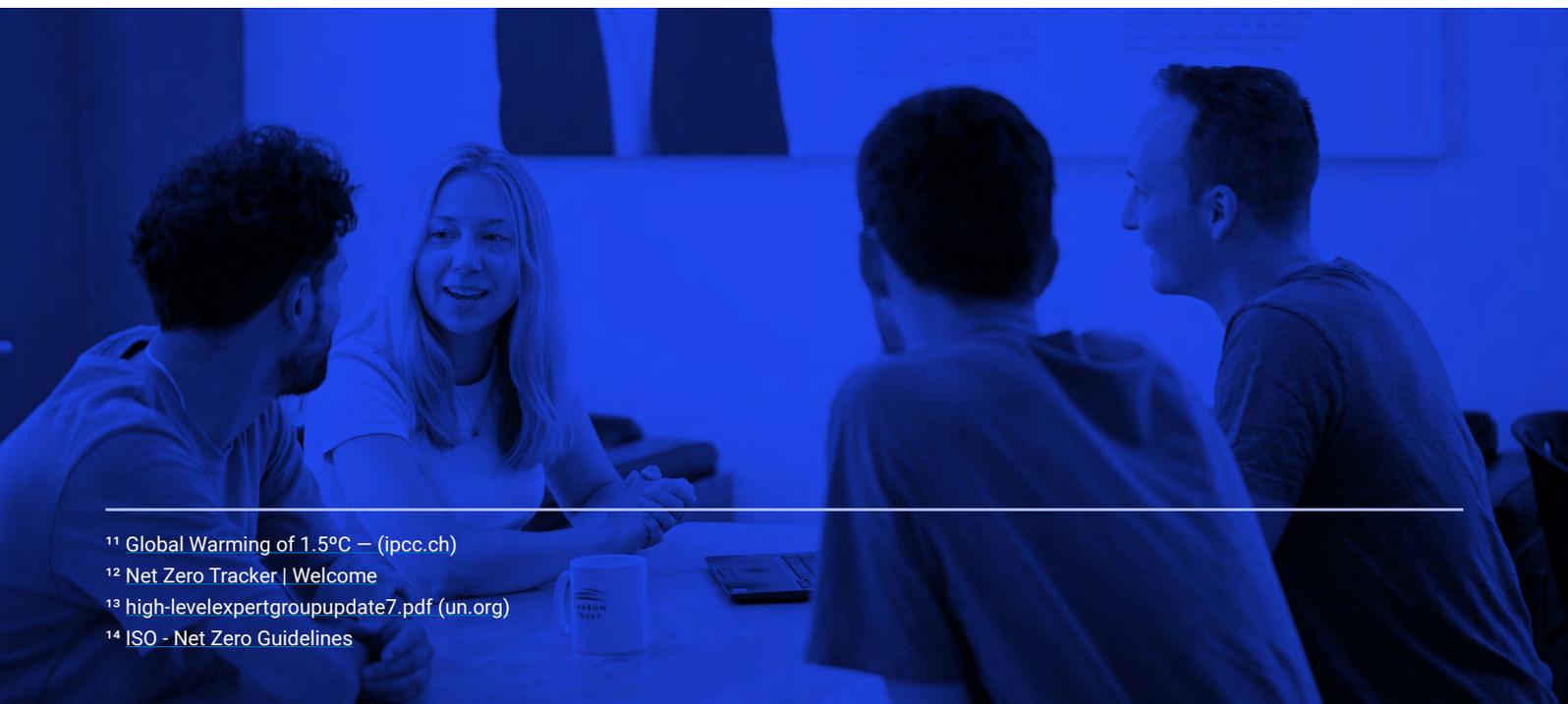
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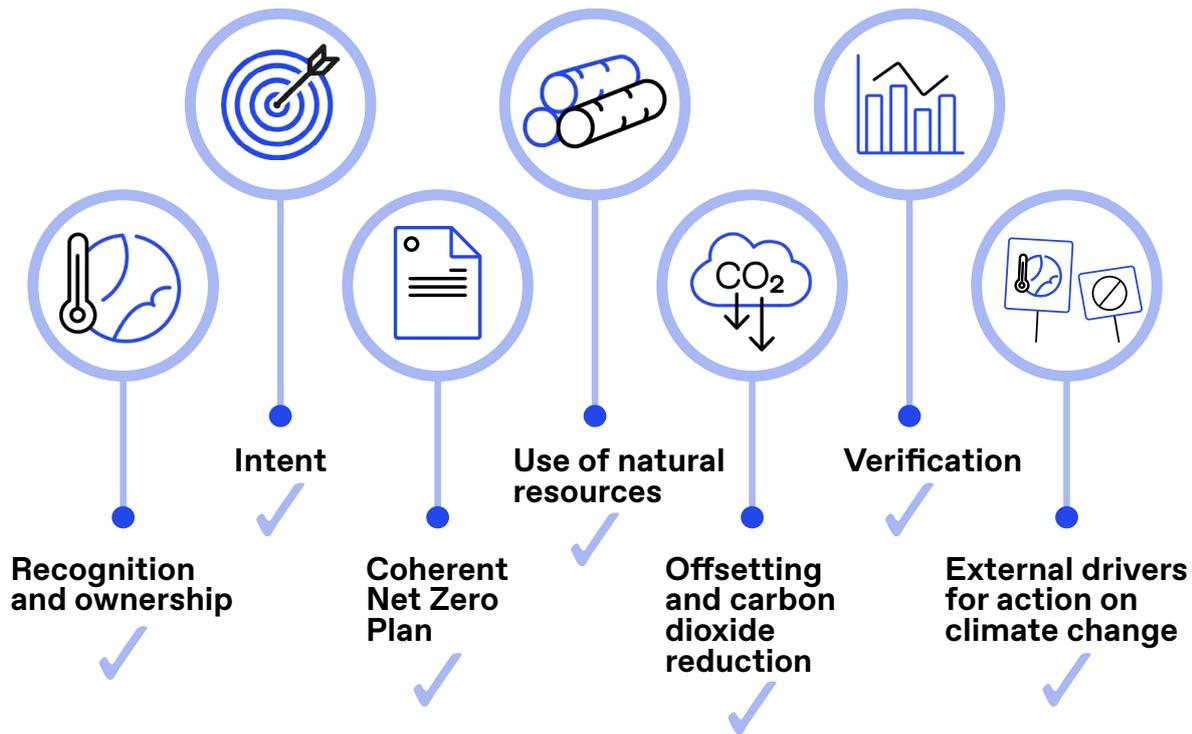
<sup>11</sup> Global Warming of 1.5°C – (ipcc.ch)

<sup>12</sup> Net Zero Tracker | Welcome

<sup>13</sup> high-level-expert-group-update-7.pdf (un.org)

<sup>14</sup> ISO - Net Zero Guidelines





The assessment is based on analysis of publicly available information<sup>15</sup>, and provides an overview of present commitments and progress on Net Zero. The outcome is not a pass or fail judgement, but instead an assessment of the credibility of actions taken by the organisation in its current approach to tackling climate change. Through this assessment of a snapshot in time, the Carbon Trust intends to improve broad understanding of a sector's current commitment to Net Zero, as well as its own understanding of how to help a sector more effectively tackle its contribution to climate change.

## This report

This report is the first in a series from the Carbon Trust's Net Zero Intelligence Unit on the credibility of sectoral commitments to Net Zero.

This report assesses a sample of ten of the biggest beauty and personal care manufacturers by global revenue (2020)<sup>16</sup> to generate an overview of the credibility of the sector's current Net Zero commitments.

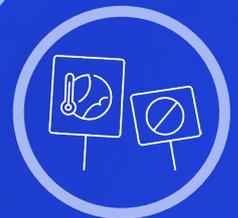
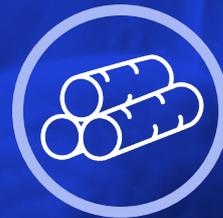
### Companies assessed and global market revenue (2020)

1. L'Oréal - \$33.93bn
2. Unilever - \$25.38bn
3. P&G - \$19.41bn
4. Estée Lauder - \$14.29bn
5. Shiseido - \$8.73bn
6. Beiersdorf - \$6.91bn
7. LVMH - \$6.36bn
8. Kao - \$5.17bn
9. Coty - \$4.71bn
10. Johnson & Johnson - \$4.45bn

<sup>15</sup> Most recent sustainability report, annual report and emissions/environmental impact report from a given company, as well as data from the SBTi registry and CDP.

<sup>16</sup> [Top ten cosmetics companies in the world \(cosmetics-technology.com\)](https://www.cosmetics-technology.com)

# Our findings





# 1. Recognition and ownership

Companies in the beauty and personal care sector showed limited recognition and ownership of their direct role in causing, and responding to, climate change. It was much more common for companies to present themselves as part of the solution rather than acknowledge their historical and ongoing contribution to the problem. Some leading companies demonstrated best practice by openly acknowledging that manufacturing of their products involved 'large amounts of substances and energy', that their business models had historically been linked to high-emission lifestyles, that raw materials should be a priority for emissions reductions and that transformational change would be needed to achieve Net Zero emissions. However, overall, the sector did not evidence sufficient recognition that the majority of its emissions come from sourcing of raw materials and consumer use of products, and that these must be significantly reduced to reach Net Zero.

Of the companies assessed, most highlighted steps being taken to reduce their operational emissions (for instance, using renewable energy to power manufacturing sites) rather than the emissions generated through raw materials sourcing, which represents a much larger share of this sector's emissions. Most companies attributed 30-50% of their direct emissions to the sourcing of raw materials.<sup>17</sup>

Although three companies clearly acknowledged the significance of consumer use of their products for their overall greenhouse gas emissions, most did not. There was limited acknowledgement that their business models and products played a role in driving these emissions, by increasing the use of hot water. Only two companies assessed evidenced targets to reduce these indirect use-phase emissions, despite the Greenhouse Gas Protocol's recommendation that such emissions should be accounted for if they are expected to be significant.<sup>18</sup> Companies assessed put the proportion of emissions generated by consumer use at between 40-80% of overall emissions, although data on this was not always reported.

## Recommendations

- Senior leaders in beauty and personal care should publicly acknowledge their company's role in contributing to global greenhouse gas emissions and their responsibility to dramatically reduce emissions to support global attainment of Net Zero emissions.
- Beauty and personal care companies should highlight that the majority of their emissions come from sourcing of raw materials and consumer use of their products. This would help to drive consumer and shareholder recognition of where the sector needs to take action to effectively tackle climate change and achieve Net Zero.
- The sector should also explore and invest in business model transformation that could reduce consumer use-phase emissions, for instance through products that require little to no hot water.



**The sector showed limited recognition and ownership of its direct role in causing, and responding to, climate change**

<sup>17</sup> Some companies did not provide any reports on Scope 3 emissions, or excluded raw materials sourcing from Scope 3 reports. See the verification section of this report.

<sup>18</sup> [Corporate Value Chain \(Scope 3\) Accounting Reporting Standard \(ghgprotocol.org\)](https://ghgprotocol.org/)



## 2. Intent

Seven of the ten companies assessed had made public commitments to reach Net Zero by 2050 or earlier. Two companies set targets of 2039 and 2040, a welcome level of ambition that sets the bar for the industry. Three companies have made no public pledge to achieve Net Zero. It is crucial that global greenhouse gas emissions are reduced to Net Zero by 2050 to deliver on the Paris Agreement goal of limiting warming to 1.5°C. This will require all companies to align their emissions reductions with this target, including 'front-loading' reductions by making the bulk of emissions cuts ahead of 2030. This is in line with the IPCC's assessment of what must be done to reach Net Zero in time.

All ten companies assessed had 2030 emission reduction targets, but for two companies these targets were in line with 2°C rather than the 1.5°C required to achieve Net Zero in time. In its reports, one company with a 2°C aligned 2030 emissions reduction target, instead focused on achieving carbon neutrality by an earlier date. Carbon neutrality is not the same as Net Zero. Carbon neutrality permits the use of offsetting and carries no requirement for deep emissions reductions in line with any temperature limit, let alone 1.5°C. Another company claimed to have already achieved Net Zero within its operational emissions.<sup>19</sup> This is a misleading claim because the company in question had used offsets to achieve reductions and international standards are clear that offsetting cannot be used to achieve Net Zero.

Strong signals of intent to achieve Net Zero within the sector were limited. One company stated a commitment to align all future capital expenditure with the Paris Agreement and a clear commitment to invest in circular economy solutions. However, other financial signals were hard to identify, or demonstrated an unbalanced focus on nature restoration instead of reduction of emissions throughout the supply chain.

### Recommendations

- To evidence urgent intent to achieve Net Zero, beauty and personal care companies should follow international best practice by pledging to reach Net Zero by 2050 or earlier.
- Beauty and personal care companies should also ensure that their 2030 targets are aligned with a 1.5°C trajectory. Targets aligned with 2°C should be revisited and the ambition increased.
- After communicating this intent, companies should evidence a laser focus on delivering reductions towards Net Zero rather than carbon neutrality. Misleading claims about meeting Net Zero targets should be avoided at all costs.
- Net Zero will require financial commitments. Companies should ensure capital allocation mechanisms are aligned with a 1.5°C trajectory. This would help to ensure that strategic growth decisions are compatible with Net Zero. Companies should prioritise investment in mechanisms to reduce their emissions ahead of funding nature restoration.

 **Three companies have made no public pledge to achieve Net Zero**

<sup>19</sup> Net Zero cannot apply to operational emissions alone. Net Zero covers the full value chain of emissions (scopes 1, 2 and 3) and is only achieved when emissions are reduced to 90% of the baseline level, with the remainder of emissions neutralised through permanent removals.



### 3. Coherent Net Zero plan

For most companies assessed, Net Zero transition plans were either non-existent or lacked details on how deep emissions reductions would be delivered. Most sustainability reports lacked the coherence, structure and organisation needed to evidence that the company was working at pace to achieve Net Zero by prioritising its main sources of emissions.

Just three companies published climate action transition plans. The most comprehensive of these three plans set out steps being taken to reduce emissions within each of the GHG Protocol categories throughout their value chain, such as raw materials or business travel. However, even the strongest plans presented limited evidence of exploring business model transformation to deliver deep reductions in emissions, despite the sector promoting consumption patterns that are unlikely to be compatible with a Net Zero world. Cosmetics Europe's initiative 'Commit for Our Planet'<sup>20</sup>, which encourages the beauty industry to reduce overall emissions in line with 1.5°C is welcome, though it remains in its early stages and is light on detail for how companies will be held accountable.

Information in the majority of sustainability reports assessed highlighted various steps companies are taking to reduce their operational emissions, such as the installation of solar panels at manufacturing sites, and steps to reduce plastic use. While urgently reducing operational emissions is crucial to achieving near-term targets, to drive progress towards Net Zero companies must also address the activities that generate the lion's share of emissions. For the beauty and personal care sector, this means paying close attention to reducing emissions created through raw materials sourcing.

Only four companies evidenced specific targets to address the emissions impact of raw materials sourcing.

This lack of detail on upstream emissions is not an issue unique to the beauty and personal care sector. Achieving deep reductions in these emissions is challenging because it requires mobilisation of the supply chain towards Net Zero. However, the companies assessed are large multinationals with significant influence over supply chains within the sector. Meaningful progress towards Net Zero is more likely to be achieved if they shift their attention towards reducing emissions from raw materials.

Several companies highlighted their work to convert CO<sub>2</sub> into ethanol for use in products such as perfume. While this initiative is welcome, it cannot compensate for deep reductions in emissions.

 **Just three companies published climate action transition plans**

<sup>20</sup> [Commit for Our Planet \(cosmeticseurope.eu\)](https://cosmeticseurope.eu)

### Recommendations

- All beauty and personal care companies should publish a clear Net Zero transition plan that addresses all material emissions categories. This will be necessary to achieve 90% reduction in emissions required for Net Zero.
- Beauty and personal care Net Zero transition plans should include the steps taken to reduce the emissions from sourcing of raw materials, and demonstrate a commitment to exploring business model transformation to deliver deep emissions reductions.
- Companies should ensure that Net Zero transition plans clearly articulate the expected emissions reductions of each step being taken, and how these combine to deliver on interim targets and the final Net Zero target.





## 4. Use of natural resources

Resource conservation is at the core of credible climate action as all resources have carbon footprints. For the beauty and personal care sector, resource conservation should be a priority focus as the sector procures scarce natural materials such as palm oil, wood pulp and mica. Sourcing materials can also exacerbate climate change by causing deforestation that releases CO<sub>2</sub>, as well as damaging biodiversity. Research from the World Resource Institute has shown that tropical deforestation contributes almost as much to annual global greenhouse gas emissions as the United States.<sup>21</sup> Across the sector, there was broad awareness of the need to source natural materials in a responsible manner, but clarity on what this meant was varied.

### Scarcity

Across the sector there was limited acknowledgement of the need to make absolute reductions in the demand for natural resources such as palm oil. Only one company clearly articulated the need to operate its business within planetary boundaries and made a clear statement of intent to do so, with transparent targets set for water, biodiversity and natural resource management. The rising consumer demand for organic and natural ingredients should be balanced with the sustainable availability of natural resources to ensure the sector operates within planetary boundaries.

### Deforestation

Just three companies in the sector had clear targets by which to physically eliminate deforestation from their supply chains, without relying on purchase of responsible sourcing credits<sup>22</sup>. As part of this, companies often made commitments to use more renewable raw materials in products, such as algae, or to explore lower-carbon alternatives with suppliers.

Laggards demonstrated lacklustre intent to source natural materials responsibly by evidencing no further commitment, other than a statement outlining that they 'expect' their suppliers to do this.

Some companies acknowledged the need to procure palm oil sustainably, but noted that their own procurement had not always met these standards, due to shortages of available resources.

### Recommendations

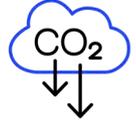
- There is growing consumer demand for organic and natural ingredients. However, natural ingredients do not always translate to climate benefits. Amidst this market pressure, beauty and personal care companies should commit to operating their business models within planetary boundaries and assess how they will achieve this going forward.
- To reduce the carbon emissions impact of sourcing raw materials, companies should set a target to eliminate deforestation from their supply chains by no later than 2025 and annually report on progress. This would be in line with the SBTi's guidance on deforestation.

 **Just three companies had clear targets to eliminate deforestation**



<sup>21</sup> [By the Numbers: The Value of Tropical Forests in the Climate Change Equation | World Resources Institute \(wri.org\)](#)

<sup>22</sup> Responsible sourcing credits are issued by certification schemes, such as the Roundtable on Responsible Palm Oil.



## 5. Approach to offsetting and carbon dioxide removals

International guidance<sup>23</sup> is clear that carbon offsetting should only be used as an accompaniment to an organisation's focus on reducing emissions within its direct sphere of influence. It is imperative that companies acknowledge that offsetting cannot be a substitute for real emissions reductions, and that Net Zero requires approximately 90% of real emissions to be abated before removals are used to neutralise remaining emissions.

However, only half of the companies assessed demonstrated sufficient awareness of the limited role that offsets should play in their sustainability strategies. Just three companies articulated a clear statement that offsetting would only be used in addition to steps taken to reduce value chain emissions, and that offsets would be carefully selected to ensure they meet high standards of additionality, permanence and social impact. This approach to offsetting should be consistent across the sector to drive progress on Net Zero. A recent report by the UK Climate Change Committee found that low-integrity offsets had limited positive climate benefit, and could actually result in higher net global emissions.<sup>24</sup>

Laggards in the sector focussed on their carbon neutrality targets instead of Net Zero, therefore permitting the use of offsets as a core part of their strategy. One company made a claim to have reached Net Zero in its operational emissions but had used offsetting to reach this. The company has since updated its language to clarify that carbon neutrality had been reached and that in future offsetting would only be used as an 'addition' to its efforts to reduce emissions.

Across the sector, awareness of the need to limit the use of carbon removals (the 'net' in Net Zero) to 10% of emissions was limited.<sup>25</sup> Only one company made a clear statement in support of this ratio of reductions vs removals. The sector demonstrated limited commitment to investing in high-standard technological carbon removals. Most companies allocated financial investment to natural carbon sinks, such as forestry projects.

### Recommendations

- The beauty and personal care sector should focus on developing and implementing a robust plan to achieve emissions reductions aligned to Net Zero. This should include prioritisation of reductions and avoidance of emissions over offsetting. International guidance is clear that offsetting cannot be used to compensate for emissions reductions on the route to Net Zero.
- Companies should clearly articulate that carbon offsetting will only be used as an additional step alongside urgent progress on real cuts to emissions, and that offsets will meet high standards of additionality, permanence and social impact.
- Companies should make it clear that they intend to use carbon removals for no more than 10% of their emissions reductions, and that these will only be considered once real emissions reductions are delivered.



**Only half of companies demonstrated awareness of the limited role offsets should play**

<sup>23</sup> This includes from the UN High Level Expert Group on the Net Zero Commitments of Non-State Entities, the ISO Guidelines on Net Zero and the SBTi Net Zero Standard.

<sup>24</sup> [Voluntary Carbon Markets and Offsetting - Climate Change Committee \(theccc.org.uk\) p.44](https://www.theccc.org.uk/publication/voluntary-carbon-markets-and-offsetting/)

<sup>25</sup> As recommended by SBTi.



## 6. Verification

Impartial external verification and certification of Net Zero targets, emissions data and transition plans helps to ensure a company has a higher probability of delivering stated outcomes within necessary timeframes. None of the companies assessed had an externally validated Net Zero target. Globally, it is now cross-industry best practice to verify Net Zero targets through an independent voluntary initiative. Not only does this ensure that Net Zero targets and emissions reduction trajectories are consistent with the scientific evidence on delivering on the global goal of 1.5°C, setting a long-term target also helps to ensure that business planning decisions are consistent with a Net Zero future.

Some level of emissions reporting was found for all companies assessed, though they showed varying levels of completeness and accuracy. Emissions reports were often incomplete and/or only partially verified by an independent third party. Half of the companies assessed were on the CDP Climate A List in 2021<sup>26</sup>, demonstrating how seriously they value transparency. However, three companies, including one on the CDP A List, did not include complete Scope 3 emissions in their reports, therefore ignoring large portions of their emissions. excluded the indirect use-phase of emissions, despite the GHG Protocol recommending inclusion of this data if its impact is expected to be significant. Two companies even excluded emissions from sourcing raw materials, the largest category of direct emissions that must be reduced by this sector to achieve Net Zero.

Some reports showed emissions increases rather than reductions. For one company, emissions reports revealed that operational emissions were increasing year-on-year and several reported increases in Scope 3 emissions. Another company reported clear emissions increases in its cosmetics division since 2020. This demonstrates a clear lack of urgency in delivering the emissions reductions needed for Net Zero.

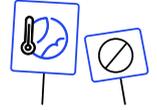
## Recommendations

- To ensure accountability on the Net Zero transition, all companies should seek independent verification for their Net Zero targets. The Net Zero governance landscape is complex, but SBTi offers a best practice route to verifying Net Zero targets as credible and science-based.
- Given the significance of raw material sourcing for the beauty and personal care sector, all companies should produce a comprehensive report of their Scope 3 emissions including Category 1 of the GHG Protocol.
- Emissions reports should show historic emissions data alongside current emissions data, and clearly outline the progress against the relevant target (i.e. the percentage of emissions reductions achieved vs the target).
- Beauty and personal care companies should also report on indirect use-phase emissions in line with the GHG Protocol's guidance that this should be accounted for if it is expected to be significant.



**None of the companies assessed had an externally validated Net Zero target**

<sup>26</sup> The CDP climate A List details companies that are leading the way on disclosure of climate risks and low carbon opportunities. 200 companies were on the A List for 'Climate' in 2021: [Companies scores - CDP](#)



## 7. Drivers for action on climate change

External pressure from consumers, shareholders and regulations provides external drivers to encourage companies to act on climate change. The Net Zero Intelligence Unit assessed whether companies evidenced steps to secure consumer, shareholder and regulatory drivers for sector-wide action on climate change.

### Consumers

Growing consumer expectations for sustainable products represents an opportunity for a high bar to be set for the beauty and personal care sector's climate change commitments. A 2020 survey of UK beauty consumers found that 86% wanted information about product ingredient supply chains.<sup>27</sup> Most companies recognised an opportunity to meet consumers' demand for 'sustainable' products, however there was limited evidence that companies are taking action to ensure consumer awareness of the main greenhouse gas emissions sources of beauty products (raw materials sourcing and consumer-use). It is encouraging that all ten of the companies assessed have joined the Eco Beauty Consortium<sup>28</sup> to establish a common environmental impact scoring system for cosmetic products. This presents an opportunity for the sector to improve understanding of the greenhouse gas emissions impact of products.

### Shareholders

Securing shareholder buy-in on climate action can help to hold a company to account on its progress. One beauty and personal care company assessed demonstrated best practice by putting its climate action transition plan to a shareholder vote and committing to update regularly on progress. However, some companies did not mention climate change or Net Zero at all in their audited annual reports, suggesting that steps to secure shareholder buy-in was limited.

### Regulations

The UN High Level Expert Group on the Net Zero Commitments of Non-State Entities (UN HLEG) recommends that companies publish, as part of their Net Zero transition plans, information on the regulations that would help them to meet their 1.5C aligned targets. Of the ten companies assessed, two evidenced concerted effort to drive broader regulatory change to help them meet their Net Zero targets. These steps included high-level advocacy at international climate conferences, alignment of trade association membership with corporate climate policy (and disclosure on lobbying) as well as direct advocacy of climate regulations such as carbon pricing. As with many sectors, for the beauty and personal care industry to transition to Net Zero, system-wide transformation is necessary.



**Some companies did not mention climate change or Net Zero at all in their annual reports**

<sup>27</sup> [Consumers are starting to hold beauty brands to account on sustainability | Hubbub Foundation](#)

<sup>28</sup> [The EcoBeautyScore Consortium a breakthrough initiative](#)

### Recommendations

- To drive the right kind of consumer pressure to act on climate change, beauty and personal care companies should take steps to improve consumer awareness of the main sources of the sector's emissions. This would help to ensure that 'sustainable' claims on products reflect meaningful emissions reductions in the supply chain.
- To secure shareholder buy-in, companies should ensure their Net Zero target is clear in both sustainability reports and annual reports. They should also consider putting transition plans to a shareholder vote.
- In line with the UN HLEG, companies should clearly articulate the regulatory change they need in their transition plans, as well as ensuring trade association membership and lobbying is aligned with Net Zero.



# Conclusion

Consumer demand for 'clean' beauty is an opportunity to galvanise sector action on Net Zero



# Conclusion

**Our Net Zero Reality Check reveals that, at present, the beauty and personal care sector has not yet demonstrated the urgency and credibility needed to effectively tackle its contribution to climate change.**

- **None of the world's 10 largest beauty companies has set an independently validated Net Zero target and three have failed to publicly commit to a Net Zero target at all.**
- **Recognition that sourcing of raw materials contributes a substantial amount of the sector's emissions, and should therefore be a priority area for action, was lacking.**
- **Similarly, only two companies assessed demonstrated a credible commitment towards addressing the significant emissions from consumer use of their products.**
- **Concerningly, several emissions reports evidenced increases in emissions rather than the rapid reductions required.**

To accelerate progress towards Net Zero, beauty and personal care companies should shift their focus towards taking stronger action to reduce their largest sources of emissions. That means companies should set specific targets and action plans to reduce the emissions impact of the raw materials they source. These large multinationals have significant influence over international raw material supply chains, and therefore can accelerate sector-wide progress towards Net Zero.

Consumer use emissions should also be a priority. Companies need to take more action to educate consumers on the environmental impact of their beauty and personal care routines and to innovate products that minimise the need for hot water. Beauty and personal care companies that wash their hands of the emissions impact of consumer use risk maintaining business models that become increasingly at odds with a Net Zero world.

By shifting the focus away from more minor sources of emissions towards raw materials and consumer use, the beauty and personal care sector could demonstrate a much more credible commitment to delivering the deep emissions cuts needed for Net Zero.

Embracing the transition to Net Zero offers the beauty sector an important commercial opportunity to meet consumer expectations for 'clean' beauty and ensure sustainability claims reflect more than just changes to packaging, but rather a credible effort to reduce the greenhouse gas emissions threatening our climate.

# Appendix 1: Summary of recommendations

## Recognition and ownership

- Senior leaders in beauty and personal care should publicly acknowledge their company's role in contributing to global greenhouse gas emissions and their responsibility to dramatically reduce emissions to support global attainment of Net Zero emissions.
- Beauty and personal care companies should highlight that the majority of their emissions come from sourcing of raw materials and consumer use of their products. This would help to drive consumer and shareholder recognition of where the sector needs to take action to effectively tackle climate change and achieve Net Zero.
- The sector should also explore and invest in business model transformation that could reduce consumer use-phase emissions, for instance through products that require little to no hot water.

## Intent

- To evidence urgent intent to achieve Net Zero, beauty and personal care companies should follow international best practice by pledging to reach Net Zero by 2050 or earlier.
- Beauty and personal care companies should also ensure that their 2030 targets are aligned with a 1.5°C trajectory. Targets aligned with 2°C should be revisited and the ambition increased.
- After communicating this intent, companies should evidence a laser focus on delivering reductions towards Net Zero rather than carbon neutrality. Misleading claims about meeting Net Zero targets should be avoided at all costs.
- Net Zero will require financial commitments. Companies should ensure capital allocation mechanisms are aligned with a 1.5°C trajectory. This would help to ensure that strategic growth decisions are compatible with Net Zero. Companies should prioritise investment in mechanisms to reduce their emissions ahead of funding nature restoration.



### Coherent Net Zero plan

- All beauty and personal care companies should publish a clear Net Zero transition plan that addresses all material emissions categories. This will be necessary to achieve 90% reduction in emissions required for Net Zero.
- Beauty and personal care Net Zero transition plans should include the steps taken to reduce the emissions from sourcing of raw materials, and demonstrate a commitment to exploring business model transformation to deliver deep emissions reductions.
- Companies should ensure that Net Zero transition plans clearly articulate the expected emissions reductions of each step being taken, and how these combine to deliver on interim targets and the final Net Zero target.

### Use of natural resources

- There is growing consumer demand for organic and natural ingredients. However, natural ingredients do not always translate to climate benefits. Amidst this market pressure, beauty and personal care companies should commit to operating their business models within planetary boundaries and assess how they will achieve this going forward.
- To reduce the carbon emissions impact of sourcing raw materials, companies should set a target to eliminate deforestation from their supply chains by no later than 2025 and annually report on progress. This would be in line with the SBTi's guidance on deforestation.

### Approach to offsetting and carbon dioxide removal

- The beauty and personal care sector should focus on developing and implementing a robust plan to achieve emissions reductions aligned to Net Zero. This should include prioritisation of reductions and avoidance of emissions over offsetting. International guidance is clear that offsetting cannot be used to compensate for emissions reductions on the route to Net Zero.
- Companies should clearly articulate that carbon offsetting will only be used as an additional step alongside urgent progress on real cuts to emissions, and that offsets will meet high standards of additionality, permanence and social impact.
- Companies should make it clear that they intend to use carbon removals for no more than 10% of their emissions reductions, and that these will only be considered once real emissions reductions are delivered.

### Verification

- To ensure accountability on the Net Zero transition, all companies should seek independent verification for their Net Zero targets. The Net Zero governance landscape is complex, but SBTi offers a best practice route to verifying Net Zero targets as credible and science-based.
- Given the significance of raw material sourcing for the beauty and personal care sector, all companies should produce a comprehensive report of their Scope 3 emissions including Category 1 of the GHG Protocol.
- Emissions reports should show historic emissions data alongside current emissions data, and clearly outline the progress against the relevant target (i.e. the percentage of emissions reductions achieved vs the target).
- Beauty and personal care companies should also report on indirect use-phase emissions in line with the GHG Protocol's guidance that this should be accounted for if it is expected to be significant.

### Drivers for action on climate change

- To drive the right kind of consumer pressure to act on climate change, beauty and personal care companies should take steps to improve consumer awareness of the main sources of the sector's emissions. This would help to ensure that 'sustainable' claims on products reflect meaningful emissions reductions in the supply chain.
- To secure shareholder buy-in, companies should ensure their Net Zero target is clear in both sustainability reports and annual reports. They should also consider putting transition plans to a shareholder vote.
- In line with the UN HLEG, companies should clearly articulate the regulatory change they need in their transition plans, as well as ensuring trade association membership and lobbying is aligned with Net Zero.

# Appendix 2: Sources

## L'Oréal

Most recent sustainability report: [loreal-for-the-future--booklet.pdf](#)

Most recent emissions/environmental results report: [bilanges2020lorealen.pdf](#) and [climate-report-2021.pdf \(loreal.com\)](#)

Most recent annual report: [Discover the themes of the year | 2021 Annual Report – L'Oréal Finance \(loreal-finance.com\)](#)

## Unilever

Most recent sustainability report: [Unilever Climate Transition Action Plan](#)

Most recent emissions report: [unilever-sustainability-performance-data-climate.xlsx \(live.com\)](#)

Most recent annual report: [e582e46a7f7170fd10be32cf65113b738f19f0c2.pdf \(unilever.com\)](#)

## P&G

Most recent sustainability report: [PG2040\\_CTAP\\_091321.Final \(ctfassets.net\)](#)

Most recent emissions/environmental results report: [Environmental | Procter & Gamble Investor Relations \(pginvestor.com\)](#)

Most recent annual report: [2022\\_Annual\\_Report \(q4cdn.com\)](#)

## Estée Lauder

Most recent sustainability report: [elc-transition-report-102122-v2.pdf \(elcompanies.com\)](#)

Most recent emissions report: [elc-si-s-2022-final-interactive-v2.pdf \(elcompanies.com\)](#)

Most recent annual report: [0001001250-22-000122 \(elcompanies.com\)](#)

## Shiseido

Most recent sustainability report: [Sustainability Report 2021 | Shiseido Company](#)

Most recent emissions/environmental results report: [Environmental Data | Sustainability Data | SUSTAINABILITY | Shiseido Company Sustainability Report 2021 | Shiseido Company](#)

Most recent annual report: [https://corp.shiseido.com/report/en/2021/pdf/shiseido\\_integrated\\_report\\_2021\\_en.pdf](https://corp.shiseido.com/report/en/2021/pdf/shiseido_integrated_report_2021_en.pdf)

## APPENDIX

### LVMH

Most recent sustainability report: [2021 Social and Environmental Responsibility Report - LVMH \(lvmh-static.com\)](https://www.lvmh-static.com/uploads/2022/03/lvmh_rapport-annuel-2021-va.pdf)

Most recent emissions/environmental results report: integrated into sustainability report

Most recent annual report: [https://r.lvmh-static.com/uploads/2022/03/lvmh\\_rapport-annuel-2021-va.pdf](https://r.lvmh-static.com/uploads/2022/03/lvmh_rapport-annuel-2021-va.pdf)

### Beiersdorf

Most recent sustainability report: [Care Beyond Skin 2021 available at Sustainability Reporting | Beiersdorf](#)

Most recent emissions/environmental results report: Non-financial statement 2021 available at [Sustainability Reporting | Beiersdorf](#)

Most recent annual report: [Current Annual Report | Beiersdorf](#)

### Kao Corp

Most recent sustainability report: <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2022-e-all.pdf>

Most recent emissions/environmental results report: integrated into sustainability report

Most recent annual report: [https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2022e-all-001\\_01.pdf](https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2022e-all-001_01.pdf)

### Coty

Most recent sustainability report: COTY- [SustainabilityReport\\_FY22-Final.pdf \(contentstack.io incl/ Environmental-Policy-and-GHG-Program-03\\_08.pdf \(contentstack.io\)](#)

Most recent emissions/environmental results report: integrated into sustainability report

Most recent annual report: [COTY-Annual-Report-2022.pdf \(q4cdn.com\)](#)

### Johnson and Johnson

Most recent sustainability report: [2021 Health for Humanity Report \(jnj.com\)](#)

Most recent emissions/environmental results report: integrated into sustainability report

Most recent annual report: [Johnson & Johnson 2021 Annual Report \(jnj.com\)](#)

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