



**PRENTISS  
SMITH & CO**

Socially Responsible Investment Report for:

# Colgate-Palmolive Company

New York, NY

Ticker: CL US Equity

Last Updated: 05-19-2020

# I. Exclusionary Screening

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Does Colgate-Palmolive appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

## Fossil Fuels & Precious Metals Mining

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- Carbon Underground 200
- CDP/CAI Carbon Major
- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining

## Pornography, Gambling & Tobacco

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- BICS - Casinos
- BICS - Gaming Equipment
- BICS - Adult/nightclubs
- BICS - Tobacco

## Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

## Defense & Retail Gun Sales

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- SIPRI Top 100
- BICS - Defense Primes
- NRA Top Industry Allies

## Private Prisons

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- BICS - Security Services

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CDP = Carbon Disclosure Project  
CAI = Climate Accountability Institute  
BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute  
NRA = National Rifle Association

## I. Environmental, Social & Governance Data

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What quantifiable environmental, social and governance data, policies or recognition does Colgate-Palmolive exhibit? Positive factors may help support a decision to invest.

### General

Barron's 100 Most Sustainable Companies

**26**

Dow Jones Sustainability World Index

**Listed**

Current MSCI ESG Rating:

**AA**

United Nations Global Compact Signatory

**No**

CSR (Corporate Sustainability Reporting) since:

**2007**

Just Capital - Overall Ranking (1-922)

**158**

RobecoSAM Sustainability Assessment

**82**

GRI Criteria Compliance

**No**

### Climate Change & Fossil Fuels

CDP Climate Change 2019 Score:

**A-**

°C Reduction Commitment (SBTi)

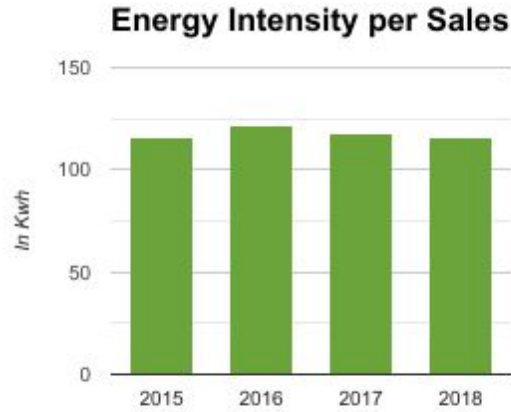
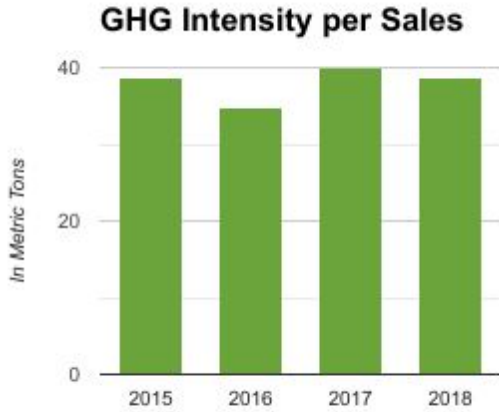
**2C**

CDP Reporting since:

**2004**

EPA - Percentage Green Power Use

**90**



Initiatives and Policies in Place:

- **Climate Change Policy**

## Environmental Stewardship

Just Capital - Environment

# #107

RSPO Membership

# Yes



Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Biodiversity Policy**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

## Human Rights & Well-Being

Just Capital - Workers

**#144**

Just Capital - Customers

**#95**

Just Capital - Communities

**#516**

Forbes Best Employers

**#217**

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

## Diversity, Equity and Inclusion

Diversity Inc - Top 50

**#36**

HRC Equality Index

**100**

Percentage of Women Employees

**37**

Percentage of Women in Middle Management

**39**

Percentage of Women in Management

**30**

Percentage of Women Executives

**20**

Percentage of Women on the Board

**30**

Percentage of Women Promoted of Total Promoted

**43**

Initiatives and Policies in Place:

- **Has Recruitment Strategy for Women**

## Corporate Responsibility

Just Capital - Shareholders

**#705**

Size of the Board

**10**

Percentage of Independent Directors

**90**

Single or Two -tiered Board System

**Single-tier**

Number of Employee Representatives on the Board

**0**

Community Spending, USD \$ Millions

**37.8**

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Bloomberg LP ESG Data (via Data License).
- Global Reporting Initiative (GRI)
- CDP
- Science-Based Targets initiative (SBTi)
- Climate Accountability Institute (CAI)
- Fossil Free Funds
- Dow Jones Sustainability Indices (DJSI)
- Barron's 100 Most Sustainable US Companies
- Newsweek Green Rankings
- State Street Global Advisors' Gender Diversity Index
- The 2019 Top 50 DiversityInc
- HRC's 2020 Corporate Equality Index
- PEOPLE's 50 Companies That Care
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Points of Light Civic 50 Honorees
- Stockholm International Peace Research Institute (SIPRI)
- Institute for Clinical and Economic Review (ICER)
- Roundtable on Sustainable Palm Oil (RSPO)
- National Rifle Association (NRA)

## II. Research Narrative

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What else has our research process told us about how Colgate-Palmolive conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

### Summary

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Colgate products have been a part of consumers' everyday lives for over 200 years. In fact, today, 62% of households globally use one or more Colgate-Palmolive Company products. Given its vast reach, Colgate has great opportunity and responsibility to protect the environment and improve the lives of its stakeholders. On many fronts, the company appears to be doing just that. The company was early to begin studying its environmental footprint and report to the Carbon Disclosure Project. Colgate has been steadily raising the bar on its sustainability targets, and adopted science based targets several years ago. The company has implemented policies to address deforestation associated with several of its key raw materials. In 2019, the company launched the first ever recyclable toothpaste tube, and plans to make recyclable tubes standard across all of its toothpastes within the next five years. Colgate is also active in supporting local communities, with well known projects addressing oral care, hand washing practices, water conservation, and promoting animal adoption.

There are also areas for the company to improve upon. While we are pleased to see that Colgate conducts gender and racial pay analysis, the company could take a leading stance by making the results of its studies publicly available. We would like to see more diversity on the board of directors. Finally, we are looking for Colgate to promptly address the racial issues associated with the branding of one of its acquired toothpaste brands in Asia.

### Products & Services

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Colgate was founded in 1806 by William Colgate as a starch, soap, and candle business in New York City. Colgate expanded internationally during the 1900's, entering Europe in 1920, Latin America in 1925, and Asia Pacific in 1929. Today, Colgate's revenues are roughly evenly split between developed markets and emerging markets, with approximately one-fifth of sales from

North America. The company operates in four core categories: Oral Care (46% of sales), Personal Care (20% of sales), Home Care (18% of sales), and Pet Nutrition (16% of sales).<sup>1</sup> Colgate has the leading market share worldwide in the categories of toothpaste and manual toothbrushes, and it is second in the global mouthwash category. Over the last twenty years, Colgate has consistently held global market share of over 40% of the toothpaste category and nearly one-third of manual toothbrushes. Within its Personal Care segment, the company has the leading position in liquid hand soap and is second in bar soaps and liquid body cleansing. Within Home Care, the company is second in global market share for liquid fabric conditioners and hand dishwashing soaps.<sup>2</sup> According to the company's investor presentation, nearly 62% of households worldwide use one or more Colgate products. The company's brands include Colgate, Tom's of Maine, Palmolive, Softsoap, Irish Spring, Protex, Speed Stick, Lady Speed Stick, Ajax, Hill's Science Diet and Hill's Prescription Diet. Colgate's principal products include toothpaste, manual toothbrushes, mouthwashes, liquid hand soaps, dishwashing liquids, bar soaps, shower gels, deodorants, antiperspirants, skincare products, shampoos and conditioners, household cleaners, fabric conditioners, and specialty pet foods.<sup>3</sup>

## Environment

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Colgate has had a long-standing commitment to environmental sustainability. In 1998, the company started collecting and analyzing energy use data. Colgate has been reporting to the Carbon Disclosure Project (CDP) since 2004, and made the Carbon Disclosure Leadership Index in 2008, 2009, 2010, 2013, 2015 and the Climate A List in 2016 and 2017. In 2014, Colgate committed to reduce GHG emissions by 25% compared to 2002, with a goal to reduce by 50% on an absolute basis by 2050 compared to 2002. The Science Based Targets initiative classifies Colgate's GHG emissions (scopes 1 and 2) as "2C", meaning the goals are consistent with keeping global warming limited to 2°C above pre-industrial levels.<sup>4</sup> Colgate has been named a US EPA Energy Star Partner of Year every year between 2011 and 2020, as the organization recognized the company's contribution to corporate energy management and raising awareness about energy efficiency. Colgate has reduced its energy intensity by over 30% since 2002.<sup>5</sup>

In 2011, Colgate initiated its "5% for the Planet" program, which aims to invest a minimum of 5% of each of its manufacturing facility's annual capital budget towards projects that reduce energy,

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<sup>1</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/21665/000002166520000004/cl-12312019x10k.htm>

<sup>2</sup> <https://investor.colgatepalmolive.com/static-files/a65490ac-2442-41e3-8751-e18a1471bd92>

<sup>3</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/21665/000002166520000004/cl-12312019x10k.htm>

<sup>4</sup> <https://sciencebasedtargets.org/companies-taking-action/>

<sup>5</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability-2018/2018-at-glance>



water and waste.<sup>6</sup> Since the program's inception, the company has invested over \$235 million in over 1,250 sustainability projects.<sup>7</sup>

Colgate claims that consumer use accounts for approximately 90% of its value chain carbon footprint.<sup>8</sup> The company is investing to educate the public about water conservation. The company's "Save Water Campaign" focuses on turning off the water while brushing. Colgate claims that the campaign has reached approximately 4 billion people in over 70 countries since its launch in 2016.

Addressing deforestation has been a key component of Colgate's environmental sustainability efforts since March 2014. Colgate's "No Deforestation Policy" is focused on four raw materials: palm oil, soy, pulp and paper, and tallow. Colgate uses palm oil and its derivatives in some of its soap products, toothpastes, antiperspirants, deodorants, and household cleaners. (More background on palm oil [here](#).) In July 2016, Colgate published a policy on the Responsible and Sustainable Sourcing of Palm Oils. Colgate claims that by year-end 2020 the company will "achieve full traceability of our palm oil, palm kernel oil and palm oil derivatives supply chains back to the first refineries, mills and to the plantation."<sup>9</sup> A few highlights of Colgate's policy include no use of fire for land clearance, no new development on peat lands, and no exploitation of people or local communities. Colgate discloses its direct palm suppliers and mill traceability information and is working to achieve traceability to the plantation level and aims to report on its progress twice a year.<sup>10</sup> Colgate claims that it discontinues business with suppliers who are not making adequate progress on the company's palm oil sustainability commitments.

Colgate uses soy and soy oil in certain products; its soy is mostly sourced from Brazil. Similar to palm oil, soy production has been linked to deforestation. Colgate states that it sources soy that is sustainably sourced and certified under programs such as the Roundtable for Responsible Soy, Proterra, or equivalent organizations that verify that the soy Colgate sources poses low environmental risk.<sup>11</sup> Colgate has similar certification programs in place for tallow, which is a cattle byproduct that is used in bar soap production. Colgate says that it is mainly focused on tallow

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<sup>6</sup> <https://www.colgatepalmolive.com/en-us/responsibly-made>

<sup>7</sup> [https://www.cdp.net/en/formatted\\_responses/responses?campaign\\_id=66216852&discloser\\_id=831946&locale=en&organization\\_name=Colgate+Palmolive+Company&organization\\_number=3551&program=Investor&project\\_year=2019&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F9hz110bc%2F40142&survey\\_id=65670419](https://www.cdp.net/en/formatted_responses/responses?campaign_id=66216852&discloser_id=831946&locale=en&organization_name=Colgate+Palmolive+Company&organization_number=3551&program=Investor&project_year=2019&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F9hz110bc%2F40142&survey_id=65670419)

<sup>8</sup> <https://investor.colgatepalmolive.com/news-releases/news-release-details/colgate-announces-environmental-progress-save-water-campaign>

<sup>9</sup> <https://www.colgatepalmolive.com/en-us/core-values/our-policies/palm-oils-policy>

<sup>10</sup> <https://www.colgatepalmolive.com/en-us/core-values/our-policies/palm-oils-policy>

<sup>11</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability/planet>

sourced from Brazil and it is working with suppliers to certify that suppliers follow environmental protocols set by the Brazilian Institute of Environment and Renewable Natural Resources.<sup>12</sup>

While much of Colgate's packaging uses paper-based products, the company notes that approximately 92% of its pulp and paper is recycled or certified as sourced from responsibly managed forests. By 2020, the company aims to source 100% of its paper volumes in products that are certified or recycled.<sup>13</sup> Furthermore, the company has committed to 100% recyclable packaging in its Personal Care, Home Care, and Hill's Pet Nutrition categories by 2020 and 100% recyclable packaging in all categories (including Oral Care) by 2025. In 2019, Colgate launched the first of its kind recyclable toothpaste tube under its Tom's of Maine brand. The product was the first oral care tube to be recognized by the Association of Plastic Recyclers. Colgate says that it is making this recycling technology available to interested third parties.<sup>14</sup>

In 2020, Colgate launched its 2025 Sustainability Mission targets. The highlights of this plan include: net zero carbon emissions by 2040, 100% renewable electricity by 2030, 100% zero waste facilities, net zero water factories, eliminating one-third of new plastics, achieving 100% ingredients transparency, and reaching 2 billion children to improve their oral health.<sup>15</sup>

## Management Integrity & Ethics

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Colgate has been led by CEO Noel Wallace since April 2019, succeeding Ian Cook, who had been with Colgate for 43 years. Mr. Wallace joined Colgate in 1987 and held a number of management roles including President of the Global Toothbrush Division, President of Colgate Mexico, President of Colgate US, President of Colgate North America, and most recently as Colgate's Chief Operating Officer. While President of Colgate North America, Mr. Wallace led Colgate's global sustainability strategy. Mr. Wallace has served as Chairman of the Board since April 2020. At the time Mr. Wallace took the reins as CEO, he outlined three strategic areas of focus: organic growth, simplifying processes and company structure, and digitizing the organization. In order to drive organic growth, Mr. Wallace said that the company would need to drive new innovation, expand into adjacent categories and product segments such as all-natural products, and expand within the e-commerce channel. Mr. Wallace also aims to revamp research and development processes in order to reduce time to market. Finally, he aims to modernize the company's ERP system, which

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<sup>12</sup> <https://www.colgatepalmolive.com/en-us/core-values/our-policies/no-deforestation>

<sup>13</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability/planet>

<sup>14</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability/planet>

<sup>15</sup>

<https://www.colgatepalmolive.com/en-us/core-values/sustainability/sustainability-2025-our-strategy-for-the-future>

he believes will allow the company to improve standardization and decision-making throughout the company.<sup>16</sup>

Colgate's 10-member board of directors includes 4 women and 2 persons of color, making racial diversity an area for improvement at the company. The board has 9 independent directors, while Noel Wallace serves dual CEO-Chairman roles.<sup>17</sup> According to the company's CDP disclosures, the board has oversight of climate-related issues. The company says that sustainability-related issues are discussed in quarterly board meetings. Colgate provides incentives for the corporate executive team, facilities managers, the energy manager, the sustainability manager, and the management group for the oversight of climate-related issues, including monetary incentives for emissions and/or energy reduction targets.

Colgate claims it is committed to pay equality and it conducts an annual company-wide gender pay analysis across all occupations in the US. The pay gap analysis also includes race and ethnicity in addition to gender. It appears that Colgate does not make its pay analysis publicly available.

Colgate operates a global children's oral health educational program called Bright Smiles, Bright Futures (BSBF). The company claims that since 1991, the program has reached over 1.2 billion children in more than 80 countries. In 2019, 23% of global employees volunteered in the BSBF program.<sup>18</sup> The program was developed by dental professionals and aims at teaching children how to maintain healthy teeth and gums. Over the next year, Colgate aims to educate 100 million children. In addition to oral health, the BSBF program also focuses on teaching proper handwashing techniques. Following the COVID-19 pandemic, Colgate committed to donate 25 million bars of soap and \$20 million in health and hygiene products to community based-organizations in the US. During the pandemic, Colgate's Hill's Pet Nutrition subsidiary donated 36,000 pounds of pet food to shelters and other nonprofits, and provided \$400,000 in grants for animal shelters.<sup>19</sup> Even before the pandemic, Hill's Pet Nutrition had an active charitable program; in 2019 it provided over \$3.2 million in pet food to animal shelters and helped 724,000 dogs and cats find homes. Overall as a company, in 2019 Colgate contributed \$54 million to charitable organizations, including spending for the BSBF program.<sup>20</sup>

Colgate has earned a spot on several ESG-oriented lists. Colgate was named the top performing Household Products company by the Dow Jones Sustainability Indices (DJSI), marking its third

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<sup>16</sup> 1st Quarter 2019 Earnings Conference Call Transcript, recorded April 26, 2019

<sup>17</sup> <https://www.colgatepalmolive.com/en-us/about/executives-and-boards/board-of-directors>

<sup>18</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability/people>

<sup>19</sup> <https://www.colgatepalmolive.com/en-us/how-colgate-palmolive-is-responding-to-the-coronavirus-pandemic>

<sup>20</sup> <https://www.colgatepalmolive.com/en-us/core-values/sustainability/people>

consecutive year of recognition by DJSI.<sup>21</sup> Colgate ranks in the top 20 companies on Barron's 100 Most Sustainable Companies list.

Colgate is party to various environmental legal matters and notes that it may be responsible for the cleanup, restoration and post-closure monitoring of several sites. In total, Colgate estimates possible losses in excess of its accrued legal liabilities for these environmental liabilities range from zero to approximately \$225 million. The company is involved in several legal disputes with the Brazilian internal revenue authority, one of which relates to Colgate's 1995 acquisition of Kolynos oral care business from Wyeth and Colgate's tax treatment of foreign exchange losses. The tax assessment, interest, and penalties relating to the Brazilian tax matter total \$152 million and Colgate notes that the matter is currently on appeal.<sup>22</sup> In 2014, the French antitrust authority found that Colgate and 12 other consumer staples companies had exchanged competitively sensitive information relating to the French home and personal care markets. Colgate's French subsidiary was fined \$57 million.<sup>23</sup> As of the end of 2019, Colgate was involved in 121 individual pending cases (down from 239 cases in 2018) relating to talcum powder products sold prior to 1996 that allegedly contained asbestos. Colgate states that it believes a significant portion of the costs for resolving these claims will be covered by the company's insurance policies and contends that it will continue to challenge these cases.<sup>24</sup>

While in general Colgate has managed to avoid major public controversies, a few issues bear mentioning. In 2019, Colgate removed a controversial ingredient called triclosan from its toothpastes after the FDA questioned potential links to cancer as well as problems with making bacteria resistant to antibiotics.<sup>25</sup> The FDA had banned triclosan in antibacterial consumer soaps since 2016 and it has been restricted in health-care settings since 2017. In June 2020, Colgate announced that it would review its Darlie toothpaste brand, which is sold in China and a few other Asian countries. Various stakeholders have been urging Colgate to address the brand since it bought a stake in the company in 1985. According to Bloomberg, Colgate renamed the toothpaste and redesigned the logo (which originally featured a man in blackface) in 1989. Controversies regarding the brand have continued to this day as the current name in Chinese still translates to "black person toothpaste."<sup>26</sup> According to a Colgate spokesperson, "for more than 35

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<sup>21</sup>

<https://investor.colgatepalmolive.com/news-releases/news-release-details/colgate-palmolive-named-industry-lead-er-dow-jones-sustainability>

<sup>22</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/21665/000002166520000004/cl-12312019x10k.htm> (page 16)

<sup>23</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/21665/000002166520000004/cl-12312019x10k.htm> (page 17)

<sup>24</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/21665/000002166520000004/cl-12312019x10k.htm>

<sup>25</sup> <https://www.bloombergquint.com/business/colgate-total-toothpaste-to-relaunch-this-time-sans-triclosan>

<sup>26</sup>

<https://www.reuters.com/article/us-colgate-race-darlie/colgate-reviewing-chinese-toothpaste-brand-darlie-amid-debate-on-racial-inequality-idUSKBN23P2B7>

years, we have been working together to evolve the brand, including substantial changes to the name, logo and packaging. We are currently working with our partner to review and further evolve all aspects of the brand, including the brand name.”<sup>27</sup>

## Legal Notice

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