

# AkzoNobel

Sector	Revenue	Emissions	Pledge	Transparency	Integrity
Chemical industry	€ 10.9 bn (2022)	13.8 MtCO <sub>2</sub> (2022)	50% carbon emission reduction by 2030	Moderate	Moderate

1. Tracking & disclosure of emissions			Transparency & Integrity	
13.8 MtCO <sub>2</sub> in 2022	<span style="color: green;">●</span>	Subsidiaries are covered.		
<b>Major emissions sources</b>	Purchased goods and services (S3 upstream, 45%) and processing/use of sold products (S3 downstream, 40%)			
<b>Disclosure</b>	Full time series disclosed for S1 and S2 and a detailed breakdown of S3 emissions. Reporting boundaries explained alongside annual reporting. No explanation of S2 emissions accounting approach and no detailed breakdown of S1 emissions. Non-GHG climate forcers for suppliers are not quantified. Last CDP disclosure submitted in 2018.			

2. Setting emission reduction targets			Transparency	Integrity
<b>Headline target or pledge</b>	50% carbon emissions reduction by 2030 below a 2018 baseline across S1, S2 and selected major S3 emission categories, contributing to the vision to become carbon neutral by 2050.			
<b>Short- &amp; medium-term targets</b> (up to 2030)	- S1, S2 & selected major S3 categories: 50% carbon emissions reduction by 2030 below 2018 (headline target) and 'interim ambition' of 25% reduction by 2025 below 2018.		<b>High</b>	<b>Moderate</b>
Scope coverage	<span style="color: green;">1</span> <span style="color: green;">2</span> <span style="color: orange;">3</span>	Target covers 97% of emissions and is partially aligned with sector-level benchmarks. Contrary to 2020/2021, interim target is no longer in the annual report. For S1 and S2, 28% reduction as of 2022, but for S3 only 6%.		
Own emission reductions (compared to full value chain in 2019)	<b>47%</b> by 2030			
<b>Long-term vision</b> (beyond 2030)	'Carbon-neutral company' by 2050		<b>Low</b>	<b>?</b>
Scope coverage	<span style="color: grey;">1</span> <span style="color: grey;">2</span> <span style="color: grey;">3</span>	No emissions reduction target communicated alongside the carbon neutrality pledge.		
Own emission reductions (compared to full value chain in 2019)	<b>?</b> by 2050			

3. Reducing own emissions		Transparency	Integrity
<b>Emissions reduction measures</b>	Numerous reduction measures and projects mentioned, but limited details provided on their status, extent and impact on reducing S2 and S3 emissions.	<b>Low</b>	<b>Moderate</b>
<b>Renewable electricity procurement</b>	General focus on installation of solar PV on own facilities and renewable procurement constructs using certificates of origin. Further information disclosure would benefit independent evaluation. Goal of 100% RE by 2030 (50% in 2022).	<b>Low</b>	<b>?</b>

4. Climate contributions & offsetting		Transparency	Integrity
<b>Responsibility for unabated emissions</b>	No information identified on how the company takes responsibility for unabated emissions.	Low	Low
Climate contributions	- No climate contributions identified.	N/A	Low
Offsetting claims today	- No offsetting claims identified. Through Gold Standard Foundation, AkzoNobel issues carbon credits for its maritime coatings which claim to reduce fuel consumption and CO <sub>2</sub> emissions (reductions are not claimed by AkzoNobel).	N/A	N/A
<b>Offsetting plans for the future</b>	AkzoNobel explicitly excludes offsetting to achieve its 2030 headline target. No disclosure on whether 2050 carbon neutrality pledge relies on offsetting.	Moderate	Moderate

RATINGS **Transparency** refers to the disclosure of information. **Integrity** refers to the quality and credibility of the approach.  
**Overall** Average of sections 1-4 ■High ■Reasonable ■Moderate ■Low ■Very Low;  
**Sections 1-4** Average of criteria in each section ■■ ■■ ■■ ■■ ■■; **Rating criteria** See methodology for rating criteria ■ ■ ■ ■ ■.

Source: SEO Amsterdam Economics' interpretation of identified public documentation from AkzoNobel

## AkzoNobel

AkzoNobel is a multinational chemical company specialising in paints and performance coatings. The Dutch company's emissions primarily stem from purchased goods and services (45 percent of the reported 2022 emission of 13.8 MtCO<sub>2</sub>, S3 upstream, category 1) and the processing, use and end-of-life treatment of sold products (51 percent, S3 downstream, categories 9-11). AkzoNobel commits to a 50 percent carbon emission reduction by 2030 for the value chain (baseline 2018). This pledge is an important milestone for its long-term vision to become a 'carbon-neutral' company by 2050. A lack of information on what the 2050 vision implies in terms of real emission reductions and how AkzoNobel intends to get there in terms of specific measures, hinders an assessment of the company's climate ambitions in the longer term.

**AkzoNobel provides a comprehensive time series of estimated emissions for all scopes, which includes detailed breakdowns of upstream and downstream S3 emissions. Furthermore, AkzoNobel leaves out non-CO<sub>2</sub> emissions for S1 and S2.** The company's disclosure – as well as its reduction target – of S3 emissions focuses on four main categories: purchased goods and services (S3 upstream), as well as the processing, use and end-of-life treatment of sold products (S3 downstream; AkzoNobel, 2023a, n.d.-a). Additional minor upstream and downstream categories are reported on the company's webpage, but they are excluded from the annual sustainability reports due to their relatively small overall size (a difference totalling 0.4 MtCO<sub>2</sub>) or because these categories have traditionally not been reported in the annual report before. Moreover, while presenting its emissions as 'CO<sub>2</sub>(e)' or 'greenhouse gases', AkzoNobel (2023a, p. 162; 2023b, pp. 12-13) does "not actively" monitor S1 and S2 greenhouse gases other than CO<sub>2</sub>, because it considers these "immaterial". To further enhance transparency of its emissions disclosure, it would be beneficial for the company to substantiate why it – as a chemical company – considers these emissions insignificant. Additionally, the company could provide a more detailed breakdown of S1 emission sources and specify whether it calculates S2 emissions using a market- or location-based accounting approach. The more detailed CDP documentation has not been submitted by AkzoNobel since 2018.

**AkzoNobel's headline target of 50 percent carbon emission reductions by 2030 below a 2018 baseline explicitly excludes offsetting (AkzoNobel, 2020) and equals an approximate 47 percent reduction across the entire value chain below 2019 levels.** The medium-term target covers S1 and S2 and the four major S3 emission categories mentioned earlier, covering 97 percent of total 2022 emissions. AkzoNobel could further expand the coverage of its headline targets to include the remaining S3 categories, even if they are relatively minor in size. Our assessment considers the company's interim target to have 'moderate integrity' as it is not fully aligned with sectoral benchmarks and lacks immediate accountability (see Appendix C1 for the full assessment). Contrary to last year's annual report, the company (2022, p. 41) no longer communicates its 'interim ambition' of a 25 percent carbon footprint reduction by 2025 (below 2018 levels). While its operational emissions have already been reduced by 28.1 percent, its upstream and downstream S3 emissions – which are also covered by the interim target – have been reduced by only 5.7 percent (AkzoNobel, n.d.-a). No further explanation is provided. The short- and medium-targets for 2025 and 2030 on renewable electricity, energy usage and non-reusable waste are being upheld. Additionally, while AkzoNobel set its baseline reference year for realising its reduction targets at 2018, the assessment by the Science Based Target initiative (SBTi) – which the company frequently refers to – per July 2023 still refers to a 2030 reduction target of 42 percent below 2020 levels (AkzoNobel, 2023a, p. 32; SBTi, n.d.).

**The chemicals company does not detail its 2050 target to become 'carbon neutral'. As such, the long-term integrity cannot be assessed.** AkzoNobel also does not provide any information regarding the intended role of

offsets for unabated emissions in the long term (its 2030 target excludes offsetting). We could not find evidence indicating that the company takes responsibility for its present unabated emissions, either through offsetting or by making climate contributions beyond its value chain to support mitigating efforts. Through the Gold Standard Foundation, AkzoNobel's maritime coatings brand, International, does *issue* carbon credits (AkzoNobel, n.d.-b). Its hull coatings claim to reduce fuel consumption (by 9 percent on average) and carbon emissions (0.017 MtCO<sub>2</sub> over a 20-month period). AkzoNobel does not claim these emissions reductions as its own.

**AkzoNobel (2023a, n.d.-c) mentions various emissions reduction measures and projects; however, detailed information is lacking.** The various reduction measures and initiatives lack explicit details regarding the scope, timeline and most importantly the potential reduction of emissions. Most measures mentioned plan to tackle S2 emissions. Compared to last year, relatively more initiatives concerning S3, both upstream and downstream, are covered in the annual report, such as "increasing process efficiency, moving to renewable energy, and reducing the use of fossil materials and fuels" (upstream) or energy consumption during coating application and less carbon intensive coatings (downstream). Information on how and to what extent these programmes lead to significant emissions reductions is nonetheless missing and the company simply notes to "expect the majority of the reduction of our S3 carbon footprint towards the latter part of the decade" (AkzoNobel, 2023a, p. 35). AkzoNobel points out that this is the result of time-consuming developments, value chain investments and market acceptance. While identifying challenges is considered a good practice, further specification is required. Due to the limited information available on the proposed measures, it remains unclear how AkzoNobel exactly intends to achieve its 2030 targets for carbon and energy consumption reductions.

**The company has also implemented an internal carbon price to evaluate significant investment decisions, but further details are missing (AkzoNobel, 2023a, p. 36).** Contrary to last year's analysis by NCI (2022, p. 50-51), which noted a lack of details on the specific levels, this year's annual report does mention the price range, i.e. 50 to 150 euros per tCO<sub>2</sub>, and notes that it is being applied to S1 and S2. Aiming for at least the upper-end of a 40-80 euro price level per tCO<sub>2e</sub> is considered a best practice and is aligned with a trajectory "well below 2°C" as recommended by the High-Level Commission on Carbon Prices (2017; NCI, 2023b, p. 29). Like last year, such a global carbon tax would result in "an impact well below 1% of 2022 revenues" (AkzoNobel, 2023a, p. 36). Further details are still missing on the functioning of its internal carbon price, including whether it results in real internal costs, how it is integrated into decision-making processes, its widespread implementation, and the expected impact on emissions reduction over time.

**The information disclosed by the company regarding the procurement of renewable energy and electricity is limited.** AkzoNobel (2020, 2022, p. 41, 2023a, pp. 32-34) has set a goal to procure 100 percent renewable electricity across all operations globally by 2030. As of 2022, 50 percent of electricity is renewable, already achieving its 2025 target. In 2022, European operations are fully renewable and 26 locations are using solar panels (23 in 2021), the latter being a high-quality option for procuring renewable electricity. However, it is unclear to what extent the on-site renewable generation capacities meet the demand of these sites. AkzoNobel states that the remaining electricity procurement will rely on certificates of origin, but no further details are provided regarding the specific procurement constructs. It should be noted that certificates of origin are unlikely to incentivize the further development of new renewable capacity, and their use does not justify claiming an emission reduction across S2 (NCI, 2023b, pp. 24-27).

#### Sources:

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## AkzoNobel

### Moderate Integrity assessment for short- and medium-term target(s) towards 2030

#### What do the short- and medium-term targets actually mean?

##### What are the targets for the short to medium term?

S1 and S2 GHG emissions:

- 25 percent CO<sub>2</sub>(e) emission reduction by 2025 (2018 baseline; already achieved with 28.1 percent by 2022; target no longer communicated in 2023 annual report)
- 50 percent carbon emission reductions by 2030 (2018 baseline), no offsetting

S3 GHG emissions selected categories (representing 97 percent of S3):

- 25 percent CO<sub>2</sub>(e) emission reduction by 2025 (2018 baseline; reduction of 5.7 percent by 2022; target no longer communicated in 2023 annual report)
- 50 percent carbon emission reductions by 2030 (2018 baseline), no offsetting

Also, by 2025, 15 percent reduction in energy use, >50 percent renewable electricity usage, and 25 percent non-reusable waste; and by 2030, 30 percent reduction in energy use, 100 percent renewable electricity usage, reuse of water at 100 percent of AkzoNobel's water-intensive sites, and 0 percent non-reusable waste.

##### How do these targets equate to emission reductions across the value chain (compared to a 2019 baseline)?

AkzoNobel's target for 2030 indicates a reduction of 47 percent below its 2019 baseline emissions across the entire value chain. AkzoNobel explicitly excludes offsets in order to realise its 2030 targets.

##### Do these targets cover both the short term (within 5 years) and medium term (up to 2030)?

Interim reduction target for 2025 is still mentioned on the ESG webpage, but no longer communicated in the most recent annual report (AkzoNobel, 2022, p. 41; n.d.-a). Short-term targets for 2025 further cover energy use, renewable electricity and non-reusable waste.

#### Do these emission reduction commitments align with a 1.5°C trajectory for the sector according to available literature?

**Global benchmarks:** The expected 47 percent reduction of own CO<sub>2</sub> emissions seems in line with global benchmarks, which demand a 48 percent reduction of CO<sub>2</sub> and a 43 percent reduction of GHG emissions.

**Sector-level benchmarks:** Sectoral benchmarks for chemical industries require a 52 percent reduction by 2030 across S1, S2 and S3 compared to a 2019 baseline (Teske, 2022, p. 322). Apart from this study, there are few benchmarks specifically for the chemical industry as reported last year by NCI (2022). We conclude that AkzoNobel's medium-term target is partially aligned with the sector-level benchmarks.

UNFCCC (2021b, p. 12) considers a renewable electricity use of 60 percent by the global chemicals sector by 2030 a 'breakthrough outcome'. AkzoNobel's target of 100 percent renewable electricity usage by 2030 is therefore fully aligned with this sectoral finding.

### ?

### Integrity assessment for long-term target(s) (post-2030)

#### What do the long-term targets actually mean?

##### What are the targets for the long term beyond 2030?

Pledge: commitment to become a carbon-neutral company by 2050

##### How do these targets equate to emission reductions across the value chain (compared to a 2019 baseline)?

In its commitment to carbon neutrality, AkzoNobel has not set a specific target for deep emission reductions. This keeps the possibility open for potentially contentious neutralisation measures to achieve its goal.

**Do these emission reduction commitments align with a 1.5°C trajectory for the sector according to available literature?**

AkzoNobel does not explain why it considers the 2050 carbon neutrality target in alignment with the temperature limit of 1.5°C set by the Paris Agreement. The company also does not explain the scope or any of the reduction measures it is planning to take post-2030. Teske (2022, p. 322) considers an 85 percent reduction for the chemical industries sufficient to limit global warming to 1.5°C.

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