Ceres

Taking Stock

The State of Climate Action and Disclosure in the Food Sector

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Introduction

The past year has been monumental for climate action in the food sector and beyond. Landmark regulations in the U.S., including new reporting rules from the Securities and Exchange Commission and California, are paving the way for more standardized and robust emissions reporting. In the E.U., companies are preparing to disclose climate transition plans in line with the Corporate Sustainability Reporting Directive, which took effect a year ago. Leading companies such as General Mills and Yum! Brands are now quantifying their climate strategies by publishing Climate Transition Action Plans that outline how they intend to meet their emissions reduction targets.

However, more progress is still needed to curb the worst impacts of climate change and meet the 2030 goals of the Paris Agreement.

A new analysis by Ceres of major food companies provides vital insights into how the sector is addressing its significant contribution to global greenhouse gas emissions and identifies where the most urgent action is needed. The analysis seeks to answer two key questions: now that more companies are disclosing their emissions and setting reduction targets, are companies genuinely reducing their emissions? And how can disclosures be improved to not only increase transparency but also spur meaningful action?

By digging into these questions, this report serves as a lens into the current state of disclosure in the food sector, providing lessons not just for the food sector, but for companies and investors across the economy on how to improve and leverage disclosure to achieve their goals.

With so much work needed to address climate risks and capitalize on the opportunities of a low-carbon future, disclosure is key to determining whether companies are on track. But while disclosure is an important first step, its true value lies in helping companies and investors manage risks, protect long-term shareholder value, and ultimately thrive in a low-carbon economy.

That's why when Ceres did the analysis to answer the key question of whether emissions are going down, the analysis also revealed how companies can be successful in their emissions reductions' efforts. With 2030 quickly approaching, Ceres looked at the disclosures of the 50 companies covered by its Food Emissions 50 initiative to provide investors with clarity around the numbers and lay out best practices companies can take to drive progress forward.

The state of emissions as told by emissions disclosures in the North American food sector

Key Takeaways

1

Companies are making progress on scope 1 and scope 2 GHG emissions

Ceres analyzed whether the emissions at these 50 companies decreased between the two most recent years of reporting, as well as between the companies' most recent year of reporting and their base year GHG emissions (Table 1). These two metrics were chosen to allow for an assessment of short-term progress, as well as progress taken by companies over a longer time horizon. See the Appendix to review the assessment methodology.

Many companies are making progress on reducing scope 1 and 2 GHG emissions, which are direct emissions from company-owned vehicles, buildings, and other operations as well as indirect emissions associated with the company's energy use.

Figure 1. The number of Food Emissions 50 Focus companies whose scope 1 and 2, scope 3, and total GHG emissions decreased, increased, or remained unchanged in the last two years, and between the most recent year of reporting and the companies' base year GHG emissions.

	Scope 1+2 GHG Emissions		Scope 3 GHG Emissions		Total GHG Emissions	
	Between the two most recent reporting years	Compared to base year emissions	Between the two most recent reporting years	Compared to base year emissions	Between the two most recent reporting years	Compared to base year emissions
Emissions decreased	23	31	12	11	12	11
Emissions increased	14	7	11	14	11	12
No substantial change	9	3	6	7	6	9
Insufficient data for assessment	4	9	21	18	21	18

Companies typically have a more direct ability to adjust operational and capital expenditure spending in the near term to reduce direct scope 1 and indirect scope 2 GHG emissions, such as increasing renewable energy use and investing in more energy efficient production processes. For example, Ingredion reduced its scope 1 and 2 GHG emissions by 22% compared to the company's base year. This was achieved by transitioning away from coal power in company plants and commissioning renewable power, which now makes up 25% of the company's energy purchases.

Because of actions like these compared to base year emissions, **31 of 50 Food Emissions 50 focus companies have disclosed that they have reduced their scope 1 and 2 GHG emissions.**

2 Slower progress on addressing scope 3 GHG emissions is holding companies back from reducing total GHG emissions

In comparison, scope 3 GHG emissions, which are indirect emissions from a company's value chain, can be more difficult for companies to manage, as companies must rely on their direct and indirect suppliers as well as customers to take actions to reduce these emissions. However, without action on scope 3 GHG emissions, companies in this sector will be unable to achieve total GHG emissions reductions in line with a 1.5°C future and may be exposed to risks related to weakened supply chain resilience to a changing climate. Of the 31 companies that disclosed that their scope 1 and 2 emissions dropped compared to their base year GHG emissions, 14 companies disclosed that their total GHG emissions increased or did not change significantly due to increases or insignificant reduction in scope 3 emissions.

The result is clear.

To reduce total GHG emissions, which have an outsized impact on their total emissions' footprint, companies must act on scope 3 emissions. All companies with a significant increase in total emissions also exhibit a significant increase in scope 3 emissions. For example, one company's total emissions increased by 23% compared to its base year, driven by an increase in scope 3 emissions of 27% even when scope 1 and 2 emissions decreased by 77%.

3 Companies with full scope emissions reduction targets are more likely to be reducing GHG emissions

Of the 50 companies assessed, 32 have targets to reduce GHG emissions. Table 2 shows that companies with robust targets that include scope 3 emissions, especially 1.5°C-aligned targets that are validated by the Science Based Targets Initiative (SBTi), are more likely to have reduced their emissions compared to companies that do not have targets.

Figure 2. The number of Food Emissions 50 Focus companies that reduced, increased, or held steady their total GHG emissions and scope 1 and 2 GHG emissions between the most recent year of reporting and the companies' base year GHG emissions, based on whether the companies had set an emissions reduction target.

	Scope 1+2 GHG Emissions vs. Base Year		**Total GHG Emissions vs. Base Year**	
	Companies with full scope GHG emissions reduction targets	Companies with no target or none that cover scope 3 emissions	Companies with full scope GHG emissions reduction targets	Companies with no target or none that cover scope 3 emissions
Emissions decreased	27	4	11	0
Emissions increased	2	5	9	3
No substantial change	2	1	8	1
Insufficient data for assessment	1	8	4	14

No company without any targets reduced their total GHG emissions and these companies were also more likely to have increased scope 1 and 2 emissions. The results for companies without targets were more inconclusive when it came to scope 3 emissions, since companies without scope 3 targets were also less likely to disclose scope 3 emissions. However, it is likely that were they to disclose these emissions, these companies would show that their scope 3 GHG emissions are also increasing, making the difference between companies with and without targets even larger. Even though companies with validated science-based targets did not uniformly lower emissions, **most companies that demonstrated reductions in emissions have set validated targets aligned with 1.5°C, illustrating the importance of target-setting to internally prioritize climate action.**

4 Companies are beginning to clarify their emissions disclosures, but there is room for improvement to enhance comparability and the ability to assess progress over time

For 18 of the 50 companies, it was not possible to assess whether their total emissions declined between their most recent year of reporting and their base year GHG emissions. This was due to a variety of factors, including companies not reporting emissions since 2020, either because they have never disclosed scope 3 emissions or because the companies previously disclosed scope 3 emissions but are currently enhancing or otherwise changing their emissions calculation methodology.

When the Food Emissions 50 initiative was launched in 2021, just 20 companies had disclosed their scope 3 emissions from purchased goods and services. Now, 38 companies disclose their most recent reporting year's scope 3 emissions. While there is more room for progress on emissions reductions, as more companies continue to disclose these emissions over time, it will become easier to assess their progress.

Though these assessments are becoming increasingly more possible, Ceres found that the current state of disclosures still makes it difficult to assess progress across the sector. However, these emissions disclosures are the best indicators external stakeholders such as shareholders can use to assess whether companies are making progress on their public climate commitments. **As more investors set out to develop and implement their own Investor Climate Action Plans** (**ICAPs**), **and as stakeholders gain more information as mandatory climate disclosure rules come into play, it is critical that they are provided clear and comprehensible information so that they can assess progress accordingly.**

Based on leading practices reviewed in this assessment, Ceres found that the following characteristics in corporate GHG emissions disclosures makes it easier for stakeholders to assess progress:

- Separate disclosure of scope 1, 2, and 3 emissions, and further disaggregation of scope 3 emissions by scope 3 category and emissions source.
- Indication of whether location-based or market-based scope 2 numbers are disclosed.
- A clear table that shows the current reporting year, base year, and ideally one or two additional years of emissions data that allows for comparison without having to refer to a previous year's disclosure.
- Indication of any changes to the company's emissions calculation methodology or structural changes to the company's business and impact on the comparability of the company's reported emissions data between reporting years. If the current year's reporting data is not comparable to the year prior, this should be clearly noted.
- Transparency about any underlying uncertainties in the data, such as those due to lack of traceability in a company's supply chain, and the company's plans to reduce these uncertainties over time

Companies should consider the above characteristics as they prepare and continue to align with upcoming mandatory disclosure requirements and voluntary reporting standards such as the GHG Protocol Land Sector and Removals Guidance and updates to the Science Based Targets Initiative Scope 3 and broader Net Zero guidance. These updates will only add to increased comparability and transparency in reporting.

Lessons from companies moving from disclosure to action

Ceres' analysis shows that momentum is building for climate action in the food sector. While most companies still have a long way to go to aligning with a 1.5C, at least a handful of large, influential companies can demonstrate reductions in total GHG emissions. Our analysis highlights the actions they took over the past year to reduce their emissions, in particular:

- **Increasing granularity in emissions disclosures to pinpoint where to cut emissions**
  More companies are breaking down their scope 3 GHG emissions from purchased goods and services into more granular categories. This makes it easier to understand which emissions companies should be prioritizing in their action plans and helps companies focus their efforts. For example, **ADM's** 2022 Corporate Sustainability Report confirmed that emissions from purchased goods and services make up the largest portion, 88%, of its total GHG emissions. The company further specified that 20% of its scope 3 emissions are from non-land-based emissions such as transportation and packaging, 37% are from land use change, and 42% are from other agricultural emissions such as those associated with fertilizer use. To help address these emissions, ADM is expanding its regenerative agriculture programs, which it says reduced its scope 3 footprint by 310,000 metric tons of CO_2e in 2023 and is also using satellite mapping to understand and address land use change, such as the conversion of forests to cropland, that is a key driver of emissions.

- **Companies setting specific targets to reduce land-based GHG emissions**
  In the past year, companies like **McDonald's** and **Hershey** have set targets to reduce their emissions from Forests, Land, and Agriculture (FLAG) validated by the Science-Based Targets Initiative, signaling serious and concentrated integration of efforts to address land-based emissions as a part of broader climate action. As FLAG emissions are the largest drivers of food sector climate impact, it is critical that companies have specific targets to cut these emissions from their supply chains.

- **Increased focus on specific emissions drivers like methane**
  General Mills, **Kraft Heinz**, and **Starbucks** have joined the Dairy Methane Action Alliance and have committed to disclosing their methane emissions and specific plans to reduce agricultural methane emissions in their supply chains. For these companies, dairy methane emissions are a significant driver of their total GHG emissions, and acting on this priority emissions source will have an outsized impact on reducing emissions and helping them mitigate climate-related risks.

- **Proactive policy engagement**
  Companies are increasingly publicly supporting key legislation that may lead to broader adoption of sustainable practices in the food and agriculture system that would help them achieve their goals to cut emissions and address risk. For example, **Dairy Farmers of America** and **McDonald's** supported the Enteric Methane Innovation Tools for Lower Emissions and Sustainable Stock Act, legislation introduced in March 2024 that would expand USDA research on agricultural methane solutions and create voluntary incentives through conservation programs for farmers.

- **Collaborative climate action**
  Companies are working together on joint emissions-reducing programs. For example, **Ahold Delhaize** partnered with **Kellanova** to pilot a regenerative agriculture program aimed at reducing scope 3 greenhouse gas emissions in the wheat supply chain for Cheez-It and Club crackers. The companies are providing financial support to help North Carolina grain farmers implement regenerative practices that reduce GHG emissions and improve soil health. This type of collaboration can accelerate scope 3 emissions reductions by pooling investments to help scale the impact along the supply chain.

Tips for investors and other stakeholders interpreting GHG inventories in the food sector

Corporate emissions disclosures are the best estimates available for the general trajectory of emissions in the sector. While the actual state of emissions is subject to large uncertainties, these disclosures provide a general indication of where companies are, and help companies and investors prioritize actions. Over time, with the standardization of emissions reporting and the emergence of tools and platforms to help companies more accurately estimate their emissions, these emissions disclosures will be refined. **When using these disclosures to assess progress, keep the following in mind:**

1. **Emissions disclosures can be more helpful to assess a company's plans and progress over time than to compare companies**
   While investors may want to compare companies' performance, and this can be a helpful starting point for engagements with companies with limited emissions disclosure, these comparisons are difficult to make and may not yield further decision-useful information. Emissions disclosures are estimates, and the degree of accuracy depends on a company's emissions calculation methodology. Some companies are investing in robust supply chain traceability that may give them access to more primary data about agricultural activity in their supply chains. Others may only know the countries of origins of their procured agricultural commodities, leaving them to rely on country-level emissions factors that may reflect the emissions associated with the commodities in their supply chains. In addition, a company whose base year is 2016 has had more time to show progress compared to a company whose base year is 2020 and has only been acting to reduce emissions for the past two years. As a result, comparing one company's emissions inventory to another's may not be an accurate way to assess corporate performance. Instead, emissions disclosures are a helpful tool for companies to more thoughtfully strategize actions they can take as a part of a robust Climate Transition Action Plan (CTAP), and they can help investors assess a company's progress over time.

2. **To track an individual company's performance over time, it is important to understand a company's changing business context**
   Emissions disclosures offer a rough snapshot of a company's GHG emissions inventory. A company's emissions will change due to actions a company takes to address its emissions but also due to other factors such as mergers, acquisitions, and divestments, changes in the emissions calculation methodology, macroeconomic changes such as higher or lower consumer spending, and supply chain disruptions. To understand the full context of the changes in a company's emissions disclosures, investors can ask companies to explain whether changes in emissions were due to corporate climate action or an external factor that may not lead to a substantial change in emissions once the company re-baselines its emissions inventory. Companies should also re-baseline their emissions promptly to allow consistent tracking of progress over-time. Recalculation of both the base year emissions and, where possible, the emissions from one or two prior years of reporting can help investors have a more accurate view of how a company's emissions have changed over time.

3. **Emissions disclosures should be assessed within the full context of a company's climate strategy**
   Emissions disclosures are just one source of information on a company's commitment to and investment in sustainability. There may be some activities companies are investing in to mitigate emissions that may not yet be reflected in corporate GHG inventories. Depending on what emissions factors are used, there may also be supply chain activities companies cannot yet account for due to the lack of primary emissions data that can be applied to the inventory. This is why CTAPs are such a critical disclosure for companies. CTAPs provide space for companies to contextualize their emissions inventory, describe ongoing initiatives that may help them make further progress towards reducing emissions, and highlight planned future investments that will help close the gap to achieve emissions reduction targets. Considering variations and uncertainties in corporate emissions disclosures, CTAPs provide more assurance to investors that companies are taking steps to mitigate the financial risks associated with climate change and has concrete strategies in place to reduce emissions and future proof their businesses to thrive in a low-carbon economy.

About Ceres

Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and sustainable world. United under a shared vision, our powerful networks of investors and companies are proving sustainability is the bottom line—changing markets and sectors from the inside out. For more information, visit ceres.org.

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Appendix

Ceres methodology for assessing emissions progress in the food sector

Sources of data

Public disclosures (e.g., sustainability/ESG reports, company websites) as well as CDP Climate responses were consulted to inform this assessment. The data cutoff date for this assessment was August 1, 2024.

Indicators

Ceres looked at two indicators to assess whether 50 companies tracked by the Food Emissions 50 benchmark have reported decreases in their emissions:

1. The company's GHG emissions decreased in the most recent reporting year relative to the previous year
2. The company's GHG emissions decreased compared to its base year

The GHG Protocol requires companies to set a base year for scope 1 and 2 emissions in all cases, and for scope 3 emissions if a company chooses to track performance or set an emissions reduction target. Companies recalculate base year emissions when significant changes in the company (e.g. mergers, acquisitions) or GHG emissions calculation methodology occur.

Ceres assessed emissions changes on an absolute basis rather than on an intensity basis. To decouple emissions from growth, companies must investigate ways to drive business growth without increasing emissions on an absolute basis. Even if companies stabilize or lower their emissions intensity per unit of production, if their emissions increase on an absolute basis, they will still be exposed to a myriad of climate-related financial risks.

Scoring

On scope 3 emissions, companies were only scored if emissions from purchased goods and services were included in all assessed years, as this tends to be a significant driver of emissions for companies in the food sector. Scope 2 market-based emissions were used unless unavailable, in which case scope 2 location-based emissions were used.