ACT

SECTOR METHODOLOGY SUMMARY

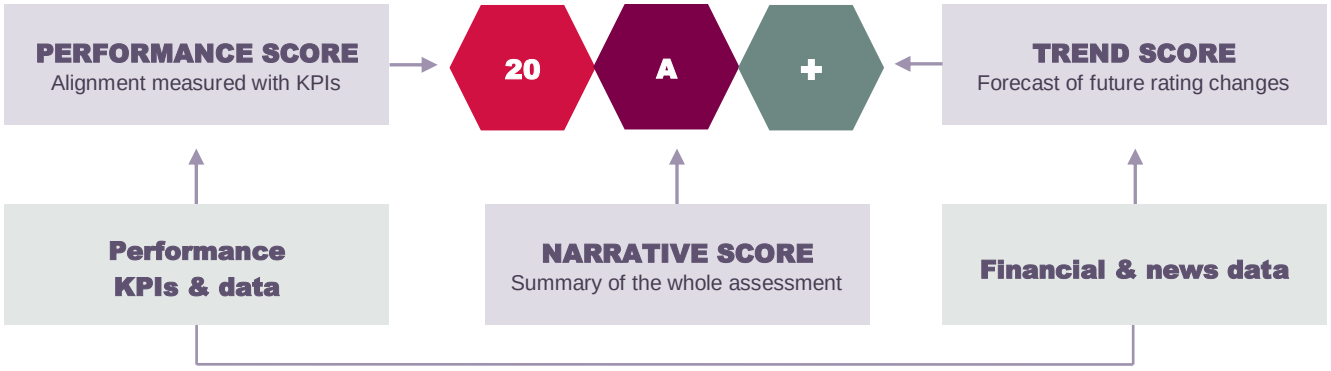
Assessing low-Carbon Transition

Retail

VERSION 1.0 | FEBRUARY 2019

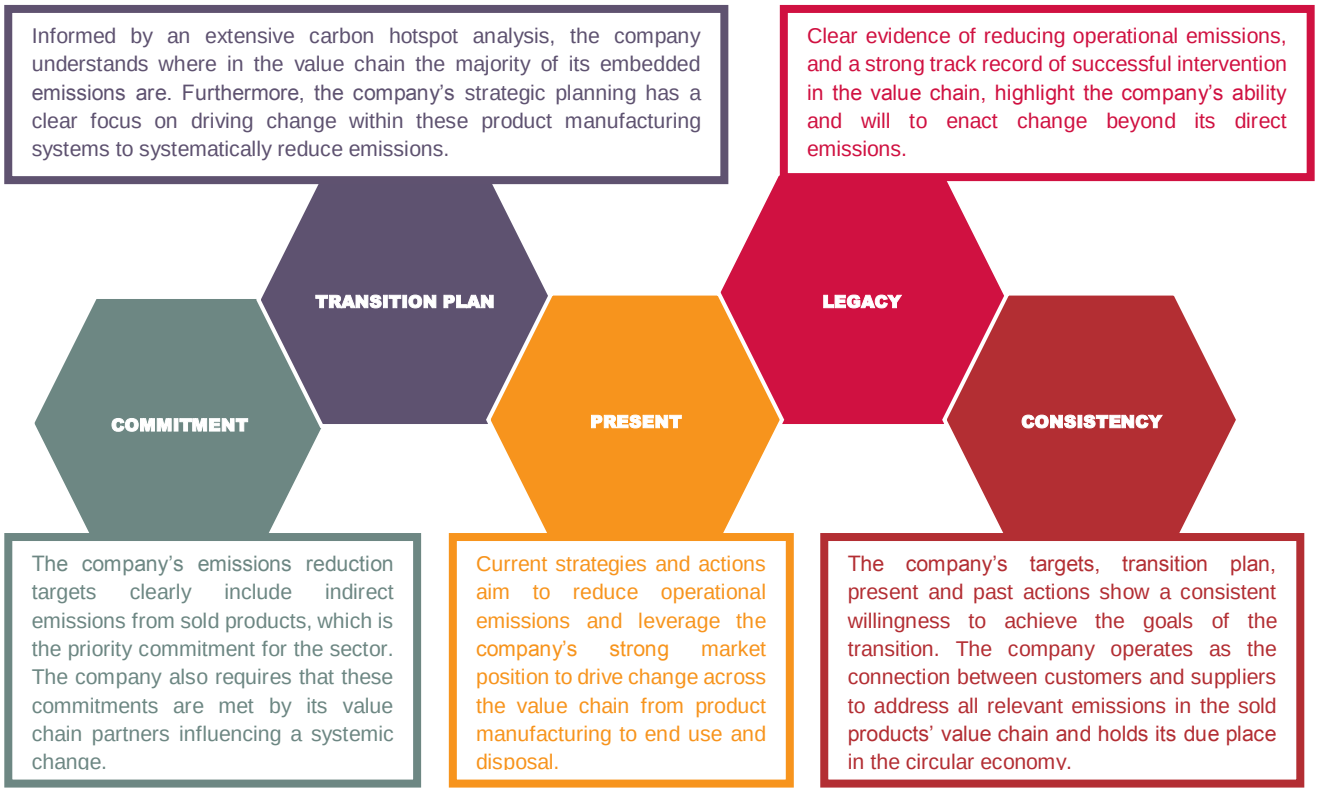
THE ACT RATING

The ACT rating is based on 3 scores (performance, narrative and trend) as shown in the diagram below.



The maximum achievable rating is 20A= and the minimum is 1E=. To achieve the maximum score, a company must be completely aligned with the low-carbon transition.

ALIGNED STATE FOR A COMPANY IN THE RETAIL SECTOR



CONTEXT & PRINCIPLES OF THE RETAIL MANUFACTURING ACT METHODOLOGY

The Retail sector represents the central interface in the economy, where manufactured products reach their end consumers. The majority of emissions attributable to the Retail sector are not emitted through a company's own operations, but rather throughout the value chain. A low-carbon transition towards a 2° alignment (or beyond) by 2050 will require a transformation not only of the Retail sector's direct operations, but of its entire value chain from upstream production to downstream use and disposal of products including logistics. The assessment will also consider qualitative factors such as the management approach to climate change and the influence on suppliers and clients.

BENCHMARK

Benchmarking the Retail sector should consider emissions caused by direct activities and emissions embodied in sold products. The benchmark setting approach should use a combination of strategies:

- → use of a range of different benchmarks (for buildings, logistics, the different sold products, etc.);
- → flexibility in applying them to ensure that they are relevant to the company being assessed;
- → development of qualitative benchmarks in terms of potential mitigation actions and activities.

The Sector Decarbonization Approach (SDA) methodology can be used for direct operations such as buildings and logistics; a similar approach is also applied for cold production. For Scope 3 emissions, due to a lack of information and the diversity of products with related indirect emissions, the following approach is used: 1) the products causing the majority of emissions are identified; 2) the different mitigation actions implemented in the value chain of each of the priority products are identified and classified into a maturity matrix; 3) using the maturity matrix, the actions taken to mitigate climate impacts in the value chain are assessed.

KEY INDICATORS

MODULE (% = MODULE WEIGHTING)	INDICATOR*
TARGETS (10%)	1.1 Alignment of Scope 1+2 inclusive emissions reduction targets
	1.2 Alignment of upstream Scope 3 emissions reduction targets
	1.3 Achievement of previous targets
MATERIAL INVESTMENT (5%)	2.1 Trend in past emissions intensity
SOLD PRODUCT PERFORMANCE (40%)	4.1 Product-specific interventions
MANAGEMENT (12%)	5.1 Oversight of climate change issues
	5.2 Climate change oversight capability
	5.3 Low carbon transition plan
	5.4 Climate change management incentives
	5.5 Waste reduction strategy
	5.6 Product carbon hotspotting
SUPPLIER (10%)	6.1 Strategy to influence suppliers to reduce their GHG emissions
	6.2 Activities to influence suppliers to reduce their GHG emissions
CLIENT (10%)	7.1 Strategy to influence customer behaviour to reduce their GHG emissions
	7.2 Activities to influence consumer behaviour to reduce their GHG emissions
POLICY ENGAGEMENT (3%)	8.1 Company policy on engagement with trade associations
	8.2 Trade associations supported do not have climate-negative activities or positions
	8.3 Position on significant climate policies
BUSINESS MODEL (10%)	9.1 Integration of the low-carbon economy in current and future business model

* More information on the indicators and modules rationales are available in the full sector methodology

FIGURE 1: EXAMPLE OF MATURITY MATRIX FOR INTERVENTIONS ON A PRODUCT VALUE CHAIN

	MATURITY LEVEL 1 (LESS GOOD)	MATURITY LEVEL 2 (GOOD)	MATURITY LEVEL 3 (BEST)
Electric efficiency of sold appliances	Procure energy efficiency labels on all products	Set efficiency target for sold products	Set science-based efficiency target
Cotton products	Offer some deforestation free cotton-based products.	Offer > 50% deforestation free cotton across all sold products.	Offer 100% deforestation free cotton across all sold products.