ACCELERATE ® CLIMATE TRANSITION

# ACT Fashion (Luxury, Mass, Premium)

## Low-carbon transition assessment methodology

Version 2.0 – 10/2024

**ACKNOWLEDGMENTS**

World Benchmarking Alliance, ADEME, and PGF Worldwide warmly thank:

- the members of the Technical Working Group for their inputs and feedback on the methodology (to get to v1.0 of the methodology)
- the companies involved in the road-test of the methodology for their contribution to the methodology improvement (to get to v1.2 of the methodology)
- stakeholders involved during the update process (to get to v2.0 of the methodology)

| **METHODOLOGY VERSION** | **DRAFT (V0.1)** | **V1.2** | **V2.0** |
|---|---|---|---|
| **DATE** | January 2024 | June 2024 | October 2024 |
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| **ACT FASHION CO-OWNER** | PARIS GOOD fashion; RÉPUBLIQUE FRANÇAISE; ADEME | | |

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# 1. Introduction

## 1.1. CONTEXT FOR FASHION SECTOR

The 2015 United Nations Climate Change Conference (COP21) in Paris strengthened the global recognition of limiting dangerous climate change. Political agreement was reached on limiting global warming to well below 2°C and pursuing efforts to limit temperature rise to 1.5°C above pre-industrial levels. The Assessing low-Carbon Transition (ACT) Initiative measures how ready a company is to transition to a low-carbon economy. The ACT initiative aims at helping businesses to drive their climate strategy, their business models, their investments and operations, and set targets compatible with a low-carbon pathway. The general approach of ACT is based on the Sectoral Decarbonisation Approach (SDA) developed by the Science-Based Targets Initiative (SBTi) in order to compare a company's alignment with a low-carbon world (compatible with 2°C - or beyond - climate change scenarios), the application of which is described in the ACT Framework.

In the following document, the Fashion sector refers to the industry devoted to the business of making and selling garments, leather goods, footwear and fashion accessories (textile and leather). For all types of apparel from ordinary everyday clothing to haute couture, the Fashion industry encompasses the following activities: design, manufacturing, distribution, marketing, retailing, advertising, and promotion.

According to the UNEP (United Nations Environment Programme) and UNFCCC (United Nations Framework Convention on Climate Change), the fashion sector is not on track to contribute to the global intention of the Paris Agreement or the SDGs (Sustainable Development Goals). This sector has an important role to play in global decarbonisation; it is reportedly one of the top manufacturing sectors in the world, responsible for between 2 and 8% of global greenhouse gas emissions [1].

On the one hand, the fashion industry has an extended, complex and fragmented value chain including various raw materials production and manufacturing processes, retail operations as well as logistics in every step of the. value chain. The fashion sector is characterized by the diversity of the materials used, and the choice of these materials is crucial since raw material extraction can account for 15%-20% of the final products' contribution to climate change [2].

On the other hand, the industry's GHG emissions have significantly increased over the past decades and will likely increase given industry growth and observed trends (fast fashion and ultra fast fashion, growing consumption in emerging middle-income countries) if no significant changes are implemented by the whole industry.

According to the last WRI (World Resources Institute) report "A Roadmap to Net-zero Emissions for the Apparel Sector", the main ways for the sector to reduce its emissions is to deploy energy efficiency and renewable energy across the manufacturing processes, and to scale up the use of sustainable materials. However, even if the sector implements all of these technical levers (renewable energy, sustainable materials, energy efficiency…), these efforts are of little or no use as long as the volumes of clothing produced and purchased continue to rise [2]. To do so, companies will need to develop new circular business models (e.g. rental, second-hand) to produce and sell fewer items, and allow them to decrease emissions [3].

The fashion sector has never been under such pressure at a global level. And for the sector to reach its targets, all the actors must get involved: not only the brands (luxury, premium or mass), but the whole value chain from the designers to the recycling plants.

Although the transparency of the players on their impact on climate change is globally increasing, there is an important discrepancy of methods, temporality and scope used to set decarbonisation targets. It also

emphasises the fact that the textile industry is still struggling to formulate ambitious climate transition plans, and states that the development of a sectoral ACT methodology is one of the top priorities to support the implementation of credible transition plans [4].

In 2018, during the 24th Conference of Parties (COP24) in Poland, the Fashion Industry Charter for Climate Action was introduced by the United Nations. Its purpose is to achieve Net-Zero GHG emissions in the fashion sector by 2050; signatories commit to reach net-zero greenhouse gas emissions as soon as possible and no later than 2050, in line with global efforts to limit warming to 1.5°C [5]. They should also set a target of 30% aggregate GHG emission reductions by 2030. During COP26 in Glasgow (2021), the science-based emission reduction targets of the Fashion Industry Charter for Climate Action were updated. It calls fashion companies to set science-based Targets or halve their emissions (scope 1, 2 and 3 of the GHG Protocol Corporate Standard) by 2030, with a pledge to achieve net-zero emissions by 2050. In addition, signatories should track and report their emissions via Carbon Disclosure Project (CDP) questionnaires.

To date, Fashion products were covered by the ACT Retail methodology or the ACT Generic methodology, depending on the company's place in the value chain. However, the fashion sector is characterized by specific processes, stakes and levers, explaining the need to develop an ACT Fashion methodology to properly assess the low-carbon strategies of Fashion companies.

# 2. Principles

The selection of principles to be used for the methodology development and implementation is explained in the general ACT Framework [6] (see section 9 – Sources). Table 1 below recaps the adopted principles that were adhered to when developing the methodology.

TABLE 1 : PRINCIPLES FOR IMPLEMENTATION

| |
|---|
| **Relevance** - Select the most relevant information (core business and stakeholders) to assess low-carbon transition. |
| **Verifiability** - The data required for the assessment shall be verified or verifiable. |
| **Conservativeness** - Whenever the use of assumptions is required, the assumption shall err on the side of achieving well-below 2°C maximum global warming and pursuing efforts to limit the temperature increase to 1.5°C (compared to pre-industrial levels). |
| **Consistency** - Whenever time series data is used, it should be comparable over time. |
| **Long-term orientation** - Enables the evaluation of the long-term performance of a company while simultaneously providing insights into short and medium-term outcomes in alignment with the long-term. |

# 3. Scope

## 3.1. SCOPE OF THE DOCUMENT

This document presents the ACT assessment methodology for the Fashion sector. It includes the rationale, definitions, indicators, and guidance for the sector-specific aspects of performance, narrative and trend scoring. It was developed in compliance with the ACT Guidelines for the development of sector methodologies, which describes the governance and process of this development, as well as the required content for such documents. It is intended to be used in conjunction with the ACT Framework [6], which describes the aspects of the methodology that are not sector-specific.

## 3.2. SCOPE OF THE SECTOR

The fashion industry value chain encompasses all the activities and processes involved in the creation, production, distribution, and consumption of fashion products. This value chain is complex and involves various stages, each contributing to the overall development and delivery of fashion items to consumers. The following sections provide a generalized overview of the Fashion value chain (3.2.1), the products covered (3.2.2) and the actors involved (3.2.3) in the industry. For simplification purposes, it should be noted that this document does not aim to provide an exhaustive description of all existing categories of models, products and actors, but to focus on the main ones.

### • FASHION SECTOR VALUE CHAIN

The fashion industry comprises a wide range of product categories, including apparel (a), leather goods (b), footwear (c) and accessories (d)

#### a) Apparel

The ACT methodology relies on the principle of relevance and focuses on the largest sources of emissions as well as significant mitigation levers to reduce emissions in the sector. Therefore, the main steps of the Fashion apparel value chain are described as follows:

- Design;
- **Raw material extraction** issued from agriculture or forestry, extraction or farming for plant-based, artificial, synthetic or animal materials / **Secondary material extraction** issued from mechanical/chemical recycling;
- **Raw/secondary material processing** (fiber spinning into yarn);
- **Material production** (through weaving or knitting according to the desired fabric, dyeing, finishing etc.);
- **Finished product assembly** (cutting, sewing) to obtain the final products;
- Transportation of raw materials, fabrics and final products;
- Retail and distribution (including unsold goods management, product returns and advertising);
- Consumer use (e.g. washing, drying, dry cleaning, repair);

- End-of-life (reuse, recycling, landfill).

The different phases of the value chain are presented in Figure 1 below:

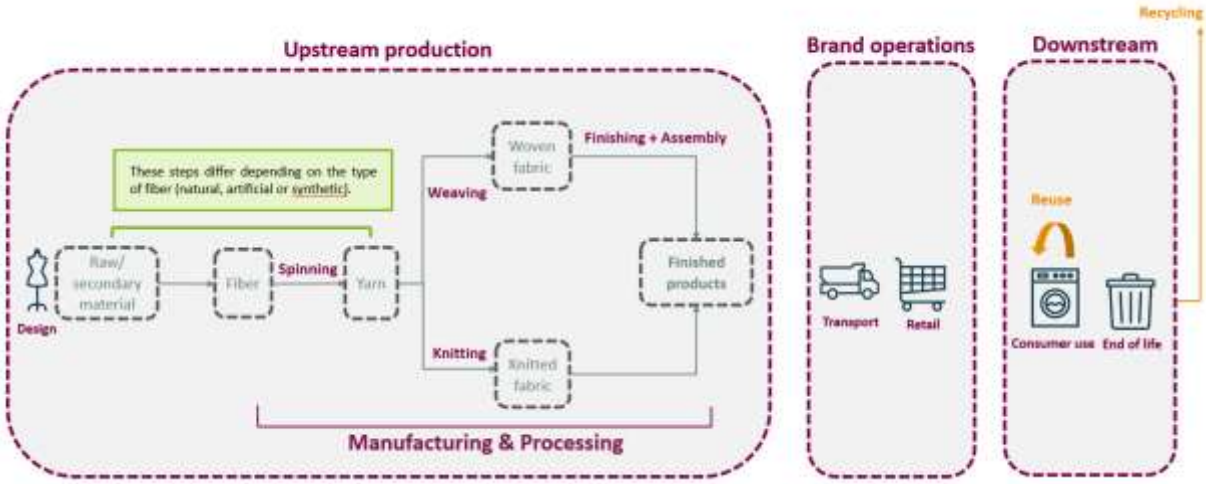



FIGURE 1: APPAREL VALUE CHAIN

The process from the raw material production to the fiber making depends on the type of fiber considered and is further described in the following sub-sections.

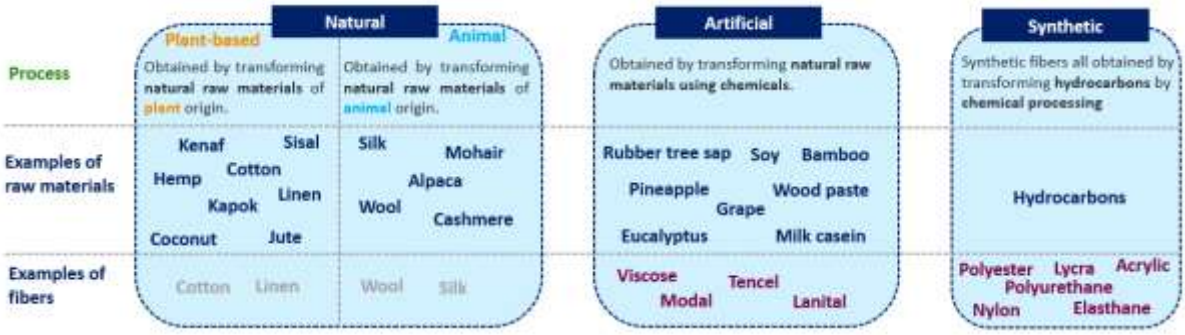



FIGURE 2: NATURAL, ARTIFICIAL AND SYNTHETIC FIBERS

## NATURAL FIBERS

Natural fibers are obtained by transforming natural raw materials that can be of plant or animal origin. The value chain will differ depending on the origin of the natural fiber (see Figure 3. below):

- Plant-based fibers (e.g. cotton, linen, etc.) are derived from plants, leaves, seeds or flowers and are gathered or cultivated in a field then harvested.
- Animal fibers and materials (e.g. wool, silk, leather, etc.) are derived from animal fleece, hair, skin or secretions and obtained through shearing or harvesting (silk).

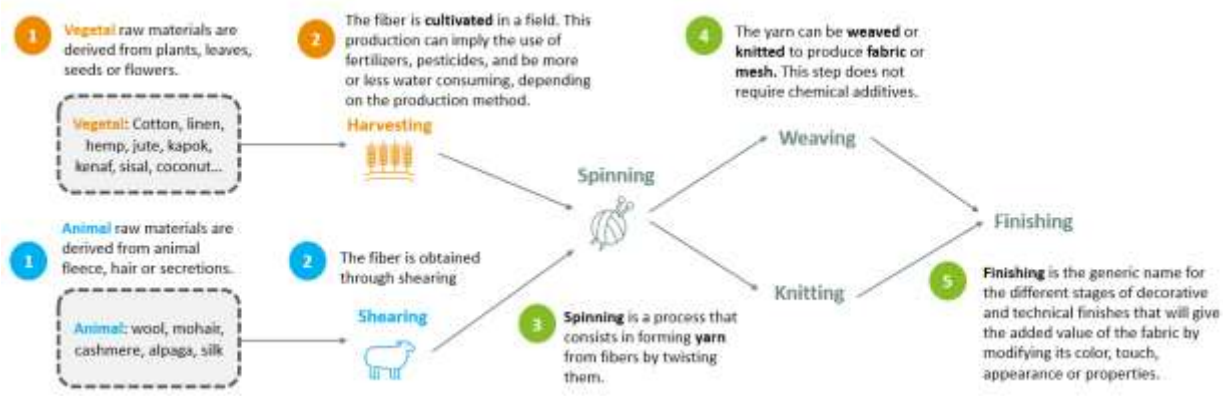



FIGURE 3: ANIMAL AND PLANT-BASED NATURAL FIBERS VALUE CHAINS

## ARTIFICIAL FIBERS

Artificial fibers (for instance viscose, modal or Lanital) are obtained by transforming natural raw materials using chemicals. They are extensively produced by the fashion industry because they have technical properties that are difficult to achieve with natural materials (e.g. fluidity, shine, wrinkle resistance). However, they typically do not provide good thermal capabilities (breathability, heat retention). In most cases the raw material is of plant origin and the fiber production process relies on the extraction of the cellulose it contains, but other processes also exist (e.g. artificial fiber production from milk casein).

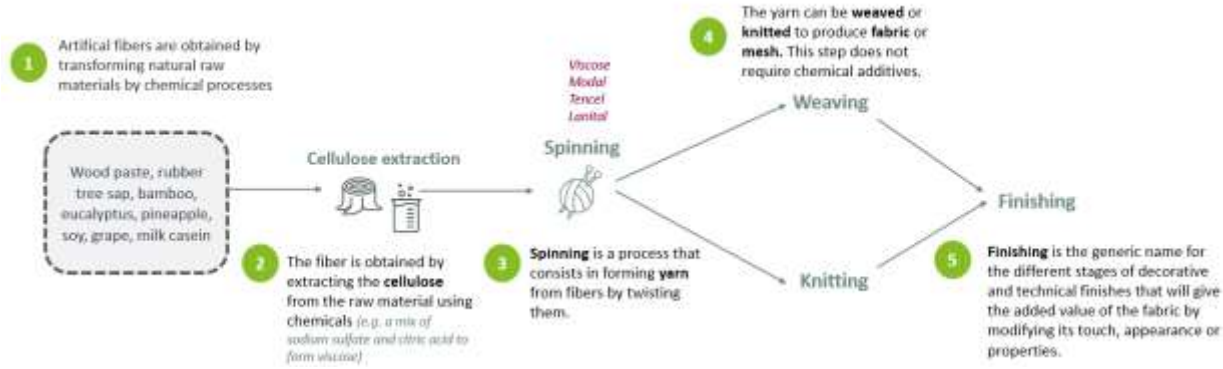



FIGURE 4: ARTIFICIAL FIBERS VALUE CHAIN

## SYNTHETIC FIBERS

Synthetic fibers (such as nylon, polyester or lycra) are all obtained by transforming hydrocarbons by a chemical process called polymerization. Most of these hydrocarbons are currently fossil-based, but they can also be plant-based or derived from chemical recycling.

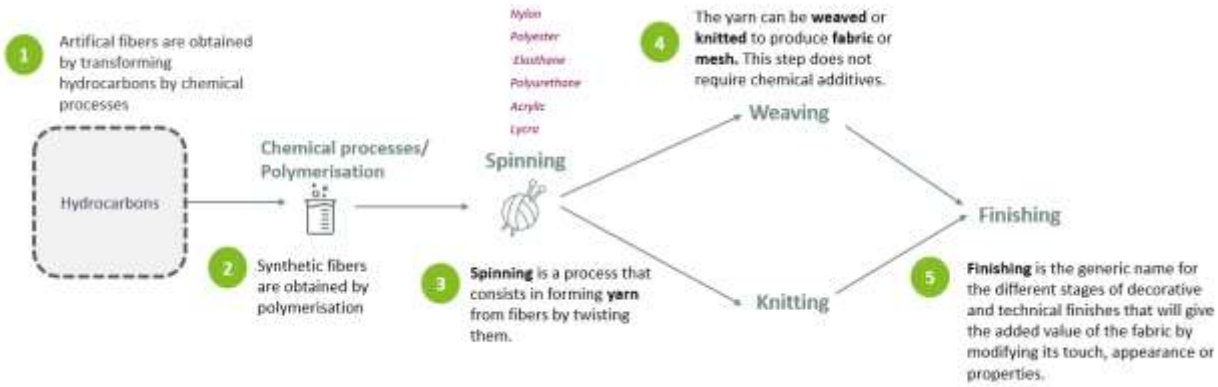



FIGURE 5: SYNTHETIC FIBERS VALUE CHAIN

Natural, artificial and synthetic fibers are usually mixed to obtain blended fibers that combine properties of two or more fibers.

### b) Leather goods

Leather is often considered as a by-product of the food industry. Leather essentially comes from the meat and dairy industries, from which hides are recovered. This recovery is part of the complex organization of the meat distribution's value chain, from the farmer to the consumer. Leather is the result of the transformation by tanning of a decomposable material (hide) into a durable product. By definition, all materials that are not derived from the transformation of animal hides are excluded from this designation.

The main steps of the leather goods value chain are the following:

- Product design;
- **Raw material extraction** (farming and breeding of cattle, sheep and goats and slaughter, skinning, trimming) / **Secondary material extraction** issued from mechanical/chemical recycling;
- **Raw/secondary material processing** (leather preparation including tanning);
- **Material production** (e.g. dyeing, finishing);
- **Finished product assembly** (e.g. cutting, sewing) to obtain the final products;
- Transportation of materials, fabrics and final products;
- Retail and distribution (including unsold goods management, order returns and advertising);
- Consumer use (e.g. cleaning, polishing, repair);
- End-of-life (reuse, recycling, landfill).

Leather goods are mainly made from the skin of cattle, sheep and goats. Exotic leathers (e.g. crocodile, snake, ostrich) are also used in the Luxury segment and their value chain might differ slightly as they might be unrelated with the food industry. Their commercialization is highly controlled and regulated by CITES (certificates guaranteeing the origin and traceability of a leather skin).

### c) Footwear

As regards the production of footwear, the upstream part of the value chain differs according to the type of footwear and core material considered (e.g. leather, textile, rubber…). Indeed, footwear has the same upstream general steps (from design to raw/secondary material processing) as leather goods and apparel. In the downstream part of the value chain, some components (e.g. sole) and processes (e.g. stitching for upper shoe assembly) are specific to the footwear value chain.

The main steps of the footwear value chain can be summarized as follows:

FIGURE 6: FOOTWEAR VALUE CHAIN SPECIFICITIES

### d) Accessories

The production of accessories generally follows either the apparel or the leather goods value chain:

- Scarves, beanies and textile gloves are examples of accessories for which production follows the same steps as apparel products.
- Leather gloves and belts, for example, are produced on the same basis as the leather goods value chain.

## • PRODUCTS OF THE FASHION INDUSTRY FOR ACT FASHION

The ACT Fashion sector methodology covers the following category of products: apparel (ready-to-wear and couture), leather goods, footwear, and accessories. Each product category is detailed further in the table below. The products falling into the apparel, footwear and accessories categories are based on those covered by the PEF (Product Environmental Footprint) methodology [7].

As they can represent a significant share of revenue for Fashion companies, household and bath linen are also part of the scope of ACT Fashion.

| Category | Products | |
|---|---|---|
| Textile | ▪ T-shirts<br>▪ Shirts/Blouses<br>▪ Sweaters/Mid-layers<br>▪ Pants/Shorts<br>▪ Dresses/Skirts/Jumpsuits<br>▪ Jackets/Coats<br>▪ Pyjamas | ▪ Underwear/Lingerie<br>▪ Swimwear<br>▪ Legging/Stocking/Tights/Socks<br>▪ Professional apparel<br>▪ Sportswear<br>▪ Non-leather bags<br>▪ Baby clothes |
| Leather goods | ▪ Bags<br>▪ Handbags<br>▪ Luggage | ▪ Wallets and other small leather goods<br>▪ Leather apparel<br>▪ Leather footwear |
| Footwear | ▪ Open-toed shoes<br>▪ Closed-toes shoes<br>▪ Boots | |
| Accessories | ▪ Hats<br>▪ Gloves and mittens | ▪ Scarves<br>▪ Belts |
| Household and bath linen | ▪ Sheets and duvet covers<br>▪ Pillowcases<br>▪ Towels | ▪ Tablecloth<br>▪ Curtains |

TABLE 2: PRODUCTS COVERED BY ACT FASHION

## RATIONALE FOR THE EXCLUSION OF OTHER CATEGORIES

Fashion brands often also distribute **watches, glasses, jewelry or writing instruments**. Those products have been excluded from the ACT Fashion methodology due to the different raw materials used, which result in major differences in value chain structures and related issues (e.g. precious metals and stones for jewelry).

Another argument to exclude these product categories is the fact that their lifespan is in most cases different from those in fashion (eg. precious watches and jewelry).

Regarding the **cosmetics and perfumes categories**, the production processes are very different than those of the fashion industry, thus they cannot be grouped together in one single methodology.

These categories (**watches, jewelry, cosmetics, perfumes**) will be covered by the ACT Generic methodology [4].

Some Luxury Fashion companies also produce wine and/or operate hotels. The activities around **wine** production and sales will be covered by the ACT Agri/Agro methodology [8]. Brands owning **hotels** can refer to ACT Real Estate [9] methodology for such activities.

## • SCOPE OF PLAYERS ALONG THE FASHION VALUE CHAIN

The category “scope of players” defines the types of companies operating within the Fashion value chain that can be assessed with the Fashion ACT methodology (i.e. the companies that can fill in an evaluation). A company is included in the scope of players if it is involved either in the manufacturing or the sale of Fashion products (see section “Products of the Fashion industry” above). The players assessed by ACT Fashion are the following:

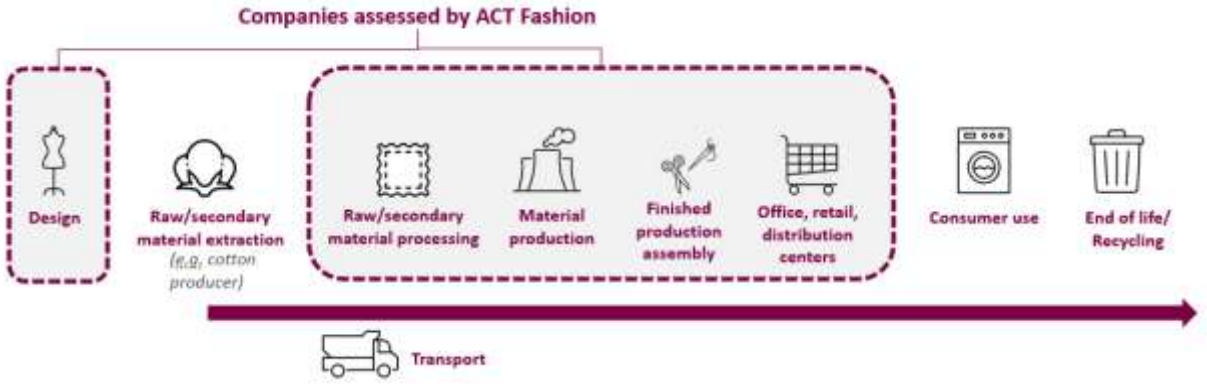



FIGURE 7: PLAYERS ASSESSED BY ACT FASHION BY ECONOMIC ACTIVITY

The ACT Fashion methodology assesses players producing different products, including apparel, footwear, accessories and leather goods. Although the value chains for apparel and leather goods follow the same main general steps (raw/secondary material extraction, raw/secondary material processing, material production, finished production assembly), the processes within these steps are different.

The following table summarizes the differences between two main types of raw materials used for ACT Fashion perimeter, along the value chain: textile and leather. Please note that this table details raw materials rather than products. To this extent, other raw material used for specific product types (e.g. plastics, rubber, metals…) are not detailed here, but are included in the methodology.

| | Textile | Leather |
|---|---|---|
| **Raw/secondary material extraction** | Includes extraction of fossil fuels for synthetic fibers production, cultivation of plant-based natural fibers, grazing livestock for animal natural fibers production, as well as the use of recycled materials<br>This step is considered as out of scope of ACT Fashion as this activity is usually operated by companies assessed by other ACT methodologies (e.g. Agriculture and Agri-food, Pulp & Paper, Oil & Gas companies). | Encompasses breeding activities of animals producing hides (cattle, sheep, goats grazing) and slaughter, skinning (separating the skin from the animal) and trimming (removing residual fat and muscle).<br>This step is considered as out of scope of ACT Fashion as this activity is usually operated by companies assessed by the ACT Agri/Agro methodology [8]. |
| | Refers to the conversion of raw materials into intermediates (e.g. spinning fibers into yarn). | Refers to leather preparation including tanning (transforming hides into leather using tanning agents). |

| | | |
|---|---|---|
| **Raw/secondary material processing** | | |
| **Material production** | Refers to the production of materials for final assembly and encompasses knitting and weaving fabric, dyeing, finishing, printing fabric etc. | Refers to the production of materials for final assembly and encompasses dyeing, finishing, etc. |
| **Finished production assembly** | Refers to the final assembly of products, which includes for example cutting and sewing of fabric into garments. | Refers to the final assembly of products, which includes for example cutting and sewing activities. |
| **Office, retail, distribution centers** | Refers to Corporate real-estate that is not involved in production processes but rather in retail activities. Includes unsold goods management, order returns, advertising, transport and warehousing. | |

TABLE 3: DIFFERENCES BETWEEN TEXTILE AND LEATHER VALUE CHAINS

The types of companies that can be assessed by the ACT Fashion methodology are described in figure 8 below (grey blue boxes):

FIGURE 8: TYPE OF COMPANIES THAT CAN BE ASSESSED BY THE ACT FASHION METHODOLOGY

## NACE codes

The Statistical Classification of Economic Activities in the European Community [10], commonly referred to as NACE, enables a clear definition of the scope of the players. Companies with activities that are classified with the following NACE codes can be assessed with the ACT Fashion methodology:

| Economic activity | NACE Code | Activity |
|---|---|---|
| Manufacture of textile | 13.1 | Preparation and spinning of textile fibers |
| | 13.2 | Weaving of textiles |
| | 13.3 | Finishing of textiles |
| Manufacture of wearing apparel | 14.1 | Manufacture of wearing apparel, except fur apparel |
| | 14.2 | Manufacture of articles of fur |
| | 14.3 | Manufacture of knitted and crocheted apparel |

| Economic activity | NACE Code | Activity |
|---|---|---|
| Manufacture of leather and related products | 15.1 | Tanning and dressing of leather, manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur |
| | 15.2 | Manufacture of footwear |
| Wholesale of household goods | 46.41 | Wholesale of textiles |
| | 46.42 | Wholesale of clothing and footwear |
| Retail sales of other goods in specialized stores | 47.71 | Retail sale of clothing in specialized stores |
| | 47.72 | Retail sale of footwear and leather goods in specialized stores |

TABLE 4: NACE CODES

### Rationale for exclusion of some players in the value chain

The following table provides a list of all players from the value chain, together with an indication on whether they are included or excluded from the scope of the ACT Fashion methodology.

***NB: Please note that companies that are not included in the scope nor covered by another sectoral ACT methodology can be assessed with the ACT Generic methodology [4].***

| TYPE OF PLAYER | TYPE OF COMPANY | INCLUSION OR EXCLUSION FROM THE SCOPE OF THE PLAYERS | RATIONALE FOR EXCLUSION |
|---|---|---|---|
| DESIGN | **Designers & creators** | **Included** | - |
| MATERIAL & FIBER PRODUCERS | Agricultural producers (e.g. cotton producers, livestock breeders, *etc*) | **Excluded** | Covered by the ACT Agriculture and Agri-food methodology [8]. In addition, Fashion brands that will be assessed by the methodology do not control this upstream activity. |
| | Chemical companies | **Excluded** | Covered by the ACT Chemicals methodology [11]. In addition, Fashion brands that will be assessed by the methodology do not control this upstream activity. |

| | | | |
|---|---|---|---|
| | Pulp & Paper companies | **Excluded** | Covered by the ACT Pulp & Paper methodology [12]. In addition, Fashion brands that will be assessed by the methodology do not control this upstream activity. |
| | Mining companies | **Excluded** | Covered by the ACT Iron & Steel methodology if they produce steel [13]. In addition, Fashion brands, assessed by the methodology, do not directly control this upstream activity. |
| **SUPPLIERS/ MANUFACTURERS** | **Companies in charge of raw/secondary material processing** | **Included** | - |
| | **Companies in charge of material production** | **Included** | - |
| | **Companies in charge of finished production assembly** | **Included** | - |
| **INTEGRATED BRANDS** | **Integrated Fashion companies** | **Included** | - |
| **NON-INTEGRATED BRANDS** | **Non-integrated Fashion companies** | **Included** | - |
| **PURE RETAILERS** | **Fashion department stores** | **Included** | - |
| | **Retailers specialized in fashion (including e-retailers)** | **Included** | - |
| | Online marketplaces and stores buying, selling, and exchanging exclusively second-hand items **(*)** | **Excluded** | The indicators developed for the ACT Fashion methodology may not be suitable or applicable to this type of companies within the industry due to differences in emission sources and processes. As described in section *4.2 GHG Emissions sources,* Raw Materials Extraction, |

| | | | |
|---|---|---|---|
| | | | Processing & Manufacturing, and Retail are typically identified as the main stages in the lifecycle of a product where emissions occur and are not relevant for online second-hand companies. |
| | Other retail & wholesaling stores | **Excluded** | No core activities within the Fashion sector (revenue is split between different sectors). Covered by ACT Retail [14] but players of the Retail sector might use ACT Fashion for their fashion department. |
| | Packaging producers | **Excluded** | No core activities within the Fashion sector (their revenue comes from other sectors). |
| **TRANSPORTERS** | Transport companies | **Excluded** | Covered by the ACT Transport methodology |
| **SERVICE PROVIDERS** | Repair centers | **Excluded** | Low GHG emitters |
| | Laundries | **Excluded** | The emissions associated with laundry activities are not significant at the sectoral level. Moreover, as described in the section 4.2 GHG Emission Sources Boundaries, use of sold products emissions are out of scope for the players of the sector and will be addressed with qualitative indicators in the methodology. |

| | | | |
|---|---|---|---|
| WASTE COLLECTORS / LANDFILLS & INCINERATORS | Companies managing waste collection | **Excluded** | Low GHG emitters |
| | Landfills / incinerators | **Excluded** | No core activities within the Fashion sector (treating different types of waste). End-of-life emissions will however be considered with qualitative indicators in ACT Fashion. |

TABLE 5: OVERVIEW OF THE SCOPE OF PLAYERS

(*) Brands that have a second-hand collection are included.

### Multiple models within the scope of the players

In the fashion industry, a company might control or own multiple stages of the production and distribution process, from the creation of raw materials to the retailing of finished products. The degree of integration varies based on the company's strategy, resources, and industry dynamics. Integration is usually not complete, and companies may choose to control only certain aspects of the value chain.

Depending on the position and integration in the value chain, companies will not have the same challenges and levers to support the decarbonisation of the sector. Here are the typical models that can be found in the fashion value chain that are included in ACT Fashion:

- Suppliers/Manufacturers operate in the processing and manufacturing steps (raw/secondary material processing, material production, finished production assembly) but do not take part in any B2C retail activities.
- In-house workshops: In this model, the brands own some or all of their own workshops and manage one or several processing and manufacturing steps.
- Contract manufacturing:
    - Material provision: in this model, the brands design the products and are responsible of material sourcing. The material is provided by the brands to their suppliers, in charge of the manufacturing and processing steps.
    - Suppliers nomination: the brands design the product and outsource the production. They designate suppliers to partially of totally assemble a value chain upon which they have a certain visibility and level of control.
    - Total work outsourcing: the brands design the products and outsource material sourcing, manufacturing and processing steps to their suppliers.
- Purchase of finished products: brands buy finished products from their suppliers, from a “catalog”. In this case, they are not responsible of the design process and manufacturing but sell the product in their own name. The level of responsibility is therefore more about the engagement with suppliers rather than with the product design and manufacturing.

Please note that companies might have multiple models as described above. As an example, a department store may have their own brand, meaning that they may operate in the manufacturing stages, but also act as pure retailers for other companies.

For this reason, in the ACT Fashion methodology, the following classification to differentiate the companies that are part of the scope of the players is suggested. This classification will be used in ACT Fashion to address the relevant challenges and decarbonisation levers that the company might have:

- **Suppliers/Manufacturers** of Fashion products, defined as companies performing at least one out of the three processing and manufacturing activities (raw/secondary material processing, material production, finished production assembly) but that will not be involved in B2C retail activities. Suppliers/Manufacturers can either be based on the "Contract manufacturing" or "Purchase of finished products" category.
- **Integrated Fashion brands**, defined as companies operating in both activities within the value chain: (1) manufacturing (raw/secondary material processing, material production, finished production assembly) and (2) retail. The integrated Fashion companies are those based on the "In-house workshops" model.
- **Non-integrated Fashion brands** that are fully outsourcing their manufacturing activities; defined as companies involved in retailing activities and not involved in processing and manufacturing activities (raw/secondary material processing, material production, finished production assembly).
- **Pure retailers,** defined as companies selling Fashion products from other brands. They are not involved in design and manufacturing activities, and do not distribute products in their own name but in the name of the distributed brands. They may buy stocks from brands, in which case they select products to their own specifications, or they may simply provide retail space, in which case they generally have no control over the selection of products.

The figure below presents different models of companies from the Fashion sector that are included in the scope of the players, as well as the activities that they cover.

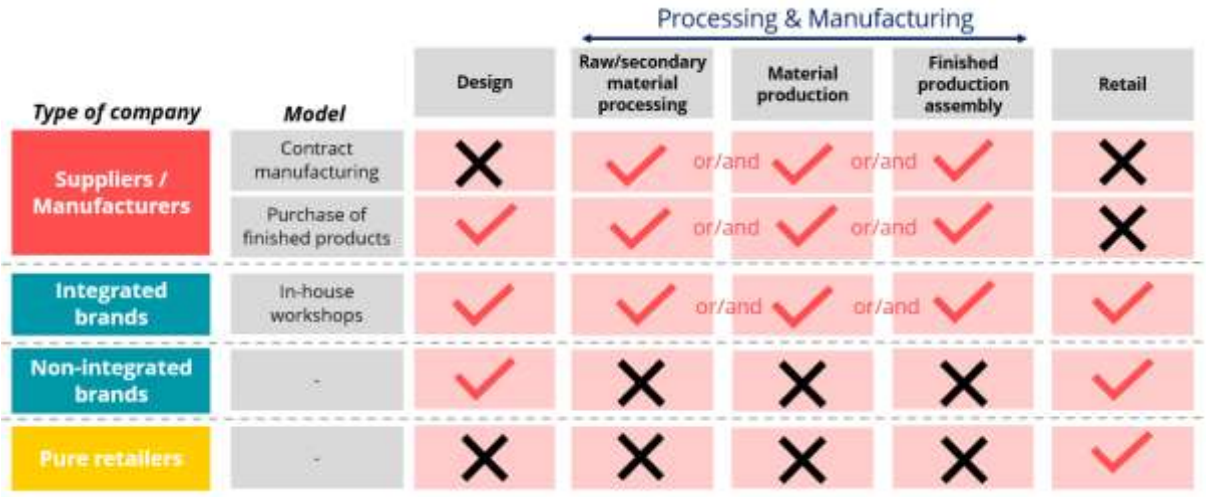



FIGURE 9: TYPES OF COMPANIES INCLUDED IN THE SCOPE OF THE METHODOLOGY

A weighting system will be applied for companies that rely on multiple models on a pro-rata basis (most preferred option is GHG breakdown per model) – see 6.3 Weightings.

# 4. Boundaries

*The Boundaries section specifies which emission sources are included in this methodology.*

**Nota Bene:**

♦ Hereafter, the term “emissions” will refer to all GHG emissions (not only $CO_2$) which shall be measured in $CO_2$ equivalent.

♦ ACT provides guidelines on the scope and boundaries of the sectors covered by this methodology to determine which type of GHG emissions are included or excluded. However, it does not provide tools and databases to measure and compute these emissions. In particular, the choice of emission factors does not fall under the responsibility of the ACT methodology. The methodology does not require the use of specific emission factors but may recommend emission factors that are aligned and consistent with those used in the reference pathway or benchmark. However, to be relevant, emission factors should be consistent with emission factors and GWP (global warming potentials) used to compute the reference pathways and benchmark scenarios for the quantitative indicators.

In order to cover relevant emission sources and to facilitate the data collection on the companies’ side, the ACT methodology focuses on the main sources of GHG emissions throughout the value chain. The boundaries are defined as follows:

- **Economic activity boundaries (section 4.1)**, which encompasses the economic activities of a company and its value chain that are considered relevant from a carbon evaluation standpoint.
- **GHG emission source boundaries (section 4.2)**, which defines GHG emission sources, from the economic activity boundaries, that are covered by the ACT Fashion methodology.

Those two categories of boundaries are linked – the economic activity boundaries will determine the relevant GHG emission sources to be considered within the nine modules of the ACT methodology.

This section only covers economic activities that have both a significant impact on climate change and over which players within the scope of the players have a minimum level of control (decarbonisation levers). To define them, we thus first need to identify economic activities that have a significant climate impact, which means a sufficiently high share of GHG emissions along the value chain. One of the most structuring points for Fashion brands lies in the choice of their business model (e.g. production volumes, offers, business practices); this will be addressed in module 9 – Business Model and in the narrative score of the company.

The distribution of GHG emissions across the fashion value chain is difficult to generalise because factors such as product category, country and market segment can result in different emissions profiles from one company to another. However, generally speaking:

- For apparel: material production, yarn preparation and dyeing and finishing operations tend to be the most carbon-intensive phases and can account for over 50% of the life-cycle emissions [13]. These steps are characterized by energy-intensive processes and high dependence on fossil-based energy, explaining their high impact.

- For footwear: the most intensive phases in terms of emissions are raw material extraction, raw/secondary material processing and manufacturing (material production and finished production assembly) that can together account for more than 70% of the life-cycle emissions [13].

Please note that this data includes leather apparel and footwear.

Considering the value chain in terms of emissions, scope 3 emissions for Fashion brands and retailers tend to be more significant than scope 1 and 2 emissions, mainly due to energy-intensive and highly emissive processes in the upstream part (from raw/secondary materials extraction to assembly).

Materials production is the most carbon-intensive step, accounting for 15 to 50% of a fashion companies' GHG emissions [14]; the variation is mainly due to the materials categories and their country of production.

Please note that material losses occur along the value chain and can represent a significant proportion of the total raw/secondary material inputs. Finished production assembly is the step that generates the most waste. In production, between 20 and 30% of textile waste is generated when cutting the pieces for each garment [15]. These textile losses may be valorized (recycled, upcycled).

Figure 10 below shows the boundaries of economic activities.

FIGURE 10: ECONOMIC ACTIVITY BOUNDARIES

### Rationale for the inclusion/exclusion of each economic activity from the economic activity boundaries

The table below provides more details on the rationale for the inclusion/exclusion of each economic activity.

| ECONOMIC ACTIVITY | INCLUSION OR EXCLUSION FROM THE ECONOMIC ACTIVITY BOUNDARIES | RATIONALE FOR INCLUSION/EXCLUSION |
|---|---|---|
| **Design** | **Excluded** | This category has been excluded since this activity does not represent, by itself, a significant direct emission source. The impact of eco-design practices is reflected in other economic activities (raw/secondary material extraction, raw/secondary material processing). |

| | | |
|---|---|---|
| **Raw/secondary material extraction** | **Included** | This activity covers cultivation and extraction of raw/secondary materials from the earth, plants or animals for textile products, farming and slaughter activities for leather goods and mechanical/chemical recycling. It is a major category in terms of emissions since it accounts for around 24% of the GHG emissions [14].<br><br>The companies assessed by ACT Fashion are not operating this step of the value chain but still have indirect control over material production activities and emissions. Levers of actions include eco-design practices, circular business model aiming at creating value over existing material, and sustainable procurement policies. |
| **Raw/secondary material processing** | **Included** | This activity covers the conversion of raw/secondary materials into intermediates (yarn production through spinning for instance), and leather preparation. This activity represents around 15% of GHG emissions at the sectoral level [14].<br><br>Integrated Fashion brands and Suppliers/Manufacturers may have direct control over some of these transformation steps. Levers of action for other types of companies are quite similar to raw/secondary material extraction: eco-design practices, circular business model, and sustainable procurement policies can deeply reduce transformation-related GHG emissions. |
| **Material production** | **Included** | Material production encompasses knitting and weaving fabric, dyeing, finishing, printing fabric, ….<br><br>Dyeing and finishing operations are an important source of emissions within the Fashion sector, the use of thermal energy (e.g. coal) being a key driver. These activities account for around 52% of GHG emissions along the value chain [14].<br><br>The levers of action for Suppliers/Manufacturers or integrated brands operating on this step are the use of renewable energy and energy efficiency. As a non-integrated brand or pure retailer, a company can influence those GHG emissions through its procurement strategy (sourcing, suppliers, progress plan…). |
| **Finished production assembly** | **Included** | Finished production assembly activities are cutting and sewing, as well as stitching and sole assembly that are specific to footwear. Cut and sew is a less significant source of emissions – assembly represents 9% of GHG emissions along the value chain [14].<br><br>Integrated companies based on the “in-house workshops” model, as well as the Manufacturers/Suppliers performing this activity, have a high level of control as this represents their scope 1 and 2. |
| **Transportation** | **Included** | This activity can account for up to 10% of the GHG emissions along the value chain [13]. |

| | | |
|---|---|---|
| | | Companies within the scope of the players do not perform this activity internally but can influence those GHG emissions indirectly through their procurement policy (sourcing countries, transporters selection…). |
| **Retail** | **Included** | This activity constitutes around 3% of GHG emissions along the apparel value chain [14]. The levers to decarbonise this step of the value chain include energy consumption reduction and energy efficiency actions. Fluids emissions due to air conditioning are included. |
| **Marketing & communication** | **Excluded** | This category has been excluded since the quantitative data is neither mature nor material. However, levers do exist for Fashion brands and are assessed through a maturity matrix within the "Client engagement" module of the ACT methodology. |
| **Waste collection** | **Excluded** | Companies within the scope of the players have very few levers to decarbonise this activity as it is far downstream the value chain.<br>The emissions related to waste collection and sorting are not considered in ACT Fashion, but companies will be able to valorise their actions related to the reduction in intrants (raw/secondary materials) resulting in less waste and avoided emissions at this step of the value chain. |
| **Waste sorting** | **Excluded** | |
| **Waste disposal / incineration** | **Excluded** | Companies within the scope of the players have minimal control over, or special knowledge of, when and where a product will be discarded.<br>The emissions related to waste disposal/incineration are not considered in ACT Fashion, but companies will be able to valorise their actions related to the reduction in intrants (raw/secondary materials) resulting in less waste at this step of the value chain. |

TABLE 6: OVERVIEW OF THE ECONOMIC ACTIVITY BOUNDARIES

The following section covers direct and indirect GHG emission sources along the economic activity boundaries that are significant and can be assessed against a quantitative or qualitative benchmark.

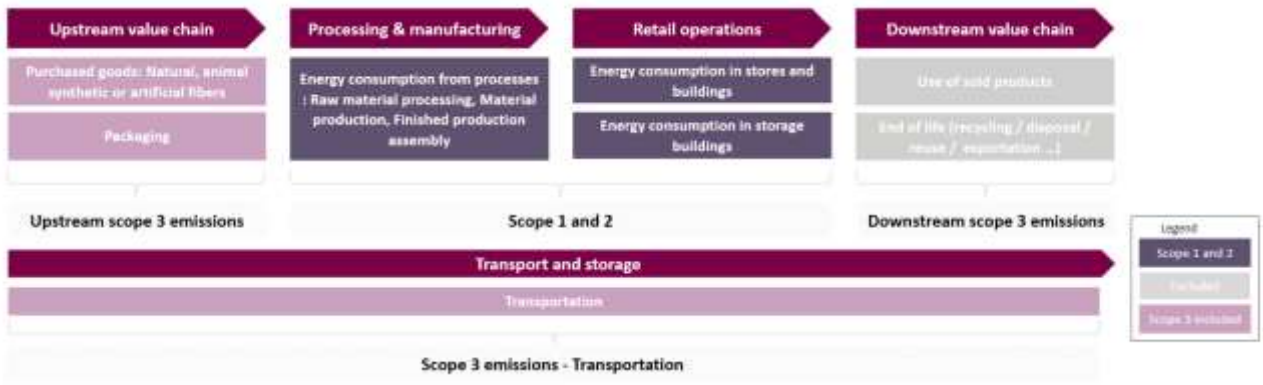



FIGURE 11: GHG EMISSION SOURCES BOUNDARIES

Five main categories of GHG emissions have been identified along the value chain:

- **Upstream emissions (purchased goods and packaging) –** These emissions are part of the Scope 3 emissions of the considered companies.

- **Processing & Manufacturing –** This concerns the stages of raw/secondary material processing, material production and finished production assembly. Here, the GHG emissions are due to the energy consumption during the manufacturing processes. They are reported in scope 1 & 2 in the GHG Protocol. This involves the reporting of $CH_4$ and $N_2O$ emissions due to on-site biomass combustion to produce energy used in the manufacturing processes. $CO_2$ emissions due to biomass combustion will be reported separately and will not be accounted for in the indicators of the modules *Targets* and *Direct operations.* For the ACT assessment, companies will only be asked to report scope 1 and 2 emissions used for Fashion products production. The production of biofuels or electricity sold to other companies shall be excluded.

- **Retail –** For brands and pure retailers, the GHG emissions related to the energy consumption in stores and buildings are reported in scope 1 & 2 according to GHG protocol guidelines. It also includes fluids emissions due to air conditioning and users travel that has an important impact. These emissions are part of the downstream scope 3 of Suppliers/Manufacturers.

- **Downstream emissions (use of sold products and end of life) –** The emissions related to the end of life of Fashion products (e.g. recycling, reuse, incineration) are part of the Scope 3 emissions of the considered companies. Although some studies have found that emissions from the use phase can be significant, these emissions are excluded as they are difficult to measure and companies have limited control over them [13]. However, they will be assessed in ACT Fashion through qualitative indicators by looking at how the company improves the use of sold product and end of life.

- **Transport –** This category includes the GHG emissions due to the transportation of upstream materials (e.g. fibers, cotton) and downstream products (e.g. apparel, shoes) along the value chain.

# 5. Construction of the data infrastructure

## 5.1. DATA SOURCES

In order to carry out a company level assessment, many data points need to be gathered from various sources. Principally, ACT relies on the voluntary provision of data by the participating companies. External data sources are also consulted where this would streamline the process, ensure fairness, and provide additional value for checking, validation and preparation of the assessment narrative.

The ACT assessment uses the data sources listed in Table 7.

TABLE 7 : ACT ASSESSMENT DATA SOURCES

| DATA SOURCE | MAIN USE |
|---|---|
| **Company data request** | Primary data source for most indicators. |
| **Contextual and financial information database sources (e.g. online and press news, RepRisk)** | Contextual and financial information on the company and events related to the company that could impact the ACT assessment |
| **Company data from survey** | Calculation of performance indicators score |
| **Company data from econometric data** | Calculation of performance indicators score |
| **Company data from lifecycle assessment** | Calculation of performance indicators score |

Where indicators refer to third-party data sources as the default option, reporting companies may provide their own data if they can provide a justification for doing so along with information about its verification status, any assumptions used and the calculation methodology.

## 5.2. COMPANY DATA REQUEST

The data included in Table 8 are requested from companies to conduct an ACT assessment. This description is high-level, for further details please refer to 6.4 Data request.

TABLE 8: DATA REQUESTED FOR AN ACT FASHION ASSESSMENT

| Data requested to the company |
|---|
| GHG emissions (on scopes defined in modules 1,2 & 4 in quantitative indicators) |
| Activity data |
| Reduction targets (absolute and intensity) |
| Environmental policy and details regarding governance |
| Management incentives |
| Scenario testing |
| List of environmental/CSR contract clauses in purchasing & suppliers' selection process |
| List of initiatives implemented to influence suppliers to reduce their GHG emissions, green purchase policy or track record, supplier code of conduct |
| Client policy |
| List of initiatives implemented to influence client behaviour to reduce their GHG emissions |
| Company policy on engagement with associations, alliances, coalitions or thinktanks |
| Position of the company on significant climate policies (public statements, etc.) |
| List and turnover or invested capital (or other financial KPI) of activities in new businesses related to low-carbon business models |
| Current position and action plan of the company towards the identified low-carbon business models |

## 5.3. PERFORMANCE INDICATORS

The performance indicators have been conceived following the main principles described in Table 9: Performance indicatorsTable .

TABLE 9: PERFORMANCE INDICATORS

| FASHION | | | | | |
|---|---|---|---|---|---|
| | | | PAST | PRESENT | FUTURE |
| CORE BUSINESS PERFORMANCE | | 1. TARGETS | FA 1.4 Achievement of past and current targets | | FA 1.1 Alignment of scope 1 and 2 emissions reduction targets |
| | | | | | FA 1.2 Alignment of scope 3 emissions reduction targets |
| | | | | | FA 1.3 Time horizon of targets |
| | INVESTMENT | 2. MATERIAL INVESTMENT | FA 2.1 Trend in past scope 1 and 2 emissions from direct operations<br>FA 2.3 Pre-consumer waste reduction | | FA 2.2 Trend in future scope 1 and 2 emissions from direct operations |
| | | 4. SOLD PRODUCT PERFORMANCE | FA 4.1 Trend in past scope 3 emissions | | |
| | | | FA 4.2 Product-specific interventions: raw materials | | |
| | | | FA 4.3 Product-specific interventions: durability | | |
| | | | FA 4.4 Outbound transportation emissions performance | | |
| | | | FA 4.3 Unsold item quantity reduction | | |

| | | | | |
|---|---|---|---|---|
| | 5. MANAGEMENT | | FA 5.1 Oversight of climate change issues | FA 5.3 Low-carbon transition plan |
| | | | FA 5.2 Climate change oversight capability | |
| | | | FA 5.4 Climate change management incentives | |
| | | | FA 5.5 Climate change scenario testing | |
| INFLUENCE | 6. SUPPLIERS | FA 6.2 Activities to influence suppliers to reduce their GHG emissions | | FA 6.1 Strategy to influence suppliers to reduce their GHG emissions |
| | 7. CLIENTS | FA 7.2 Activities to influence clients to reduce their GHG emissions | | FA 7.1 Strategy to influence clients to reduce their GHG emissions |
| | 8. POLICY ENGAGEMENT | | FA 8.1 Company policy on engagement with associations, alliances, coalitions or thinktanks | |
| | | | FA 8.2 Associations, alliances, coalitions or thinktanks supported do not have climate-negative activities or positions | |
| | | | FA 8.3 Position on significant climate policies | |
| | 9. BUSINESS MODEL | FA 9.1 Changes to business models<br>FA 9.2 Volume reduction strategy | | |

ACT methodologies use maturity matrices which are scaled on five levels, from “Basic” (lowest level) to “Low-carbon aligned” (highest level). Each level is associated with a score, as highlighted in Table 10 below. Some performance indicators are based on maturity matrices with a single question (or “subdimension"), whereas other indicators are based on multi-subdimension matrices. In the latter case, each subdimension is associated with a weighting which is taken into account to calculate the overall indicator score. Most matrices in the methodology make use of the full five-level matrix structure, although some may only use 2, 3 or 4 of the available maturity levels.

TABLE 10: ACT MATURITY LEVELS

| Evaluation level | Basic | Standard | Advanced | Next practice | Low-carbon aligned |
|---|---|---|---|---|---|
| Score | 0 | 0.25 | 0.5 | 0.75 | 1 |

Please note that in the rest of the document, Fashion brands (whether they are integrated or non-integrated brands) and Pure retailers of Fashion products will be grouped together under the term Retailers.

# MODULE 1: TARGETS (WEIGHTING: 15%)

Module 1, “Targets”, assesses the company’s commitments to reduce emissions, as these are the north star for navigating the low-carbon transition. Targets provide a goal with which the company can align its strategy, business decisions, capital expenditure (CAPEX) and research and development (R&D) to deliver emissions reductions. Targets should be science-based, include both long-term and near-term targets, and cover all relevant scopes of emissions.

*Note: Carbon offsets are not allowed for quantitative assessment within ACT methodologies. In practice, this means that a target (especially a “net-zero” one) cannot be assessed if it is unclear how the company relies on offsets. See ACT website (FAQ section) for more information* (5).

## • FA 1.1 ALIGNMENT OF SCOPE 1 AND 2 EMISSIONS REDUCTION TARGETS (WEIGHTING: 2 – 4%)

| | |
|---|---|
| **DESCRIPTION & REQUIREMENTS** | **FA 1.1 ALIGNMENT OF SCOPE 1 AND 2 EMISSIONS REDUCTION TARGETS** |
| **SHORT DESCRIPTION OF INDICATOR** | A measure of the alignment of the company’s Scope 1 and 2 emissions reduction targets with their decarbonisation pathway. The indicator will compare the trend of the company’s target pathway to the trend of the company’s benchmark pathway and thus identify the gap between both pathways at the target year. This is expressed as the company’s commitment gap. |
| **DATA REQUIREMENTS** | The relevant data for this indicator are:<br>♦ Targets information for each relevant scope 1 and 2 GHG emissions sources (Target year and targeted emissions, emission reduction between base year and target year, coverage)<br>♦ Base year, emissions at base year<br>CDP Questionnaire 2023 mapping to this indicator:<br>• C4.1a (absolute targets)<br>• C4.1b (intensity targets)<br>External sources of data used for the analysis of this indicator are:<br>♦ ACA – Absolute Contraction Approach scenario developed by SBTi [17]<br>♦ SDA – Sectoral Decarbonization Approach scenario developed by CRREM [33] |

As the companies of the Fashion sector can have different positions in the value chain, different benchmarks might apply for emissions targets that cover different dimensions or different activities in the company. Please note that Retailers can use specific benchmarks for their buildings and refer to SBTi's sectoral decarbonization approach (SDA) based on CRREM pathways.

The benchmark indicators involved are the following:

| Target type | Subparameter | Intensity metric | Benchmark |
|---|---|---|---|
| Building emissions | S12.B | $gCO2e/m^2$ | CRREM – SDA [16] |
| Total scope 1 and 2 emissions – ACA target | S12.T | % of absolute emissions | SBT Absolute contraction [17] |

If the company assesses building emissions using the assessment method, the remaining scope 1 and 2 emissions would be assessed through the ACA method.

## HOW THE ASSESSMENT WILL BE DONE

The analysis has two dimensions.

- Dimension 1 assesses the alignment of the company's near-term targets. Any target where the target year ≤ reporting year + 10 can be included in this dimension.
- Dimension 2 assesses the alignment of a company's long-term targets. Any target for which the target year > reporting year + 10 can be included in this dimension.
- The scoring rationale and calculation are the same for both dimensions.

The analysis is based on a trend ratio between the company's scope 1 and 2 emissions target and the company benchmark. Trends are computed between reporting year and the longest time horizon of the target.

The company's target pathway is the decarbonisation over time, defined by the company's scope 1 and 2 emissions reduction target. To compute it, a straight line is drawn between the starting point of the analysis and the company's target endpoint.

The company benchmark pathway is the company specific scope 1 and 2 emissions low-carbon benchmark pathway.

The company achieves the maximum score if the company's target pathway and the company benchmark pathway are aligned (commitment gap = 0) and if the targets are covering most of the company's scope 1 and 2 emissions at base year.

### CALCULATION OF SCORE:

#### 1) Trend ratio

The score is calculated by dividing the company's emissions reduction trend by the specific benchmark emissions intensity reduction trend between the base year and the target year through the trend ratio:

$$Trend\ ratio = \frac{Company's\ target\ trend}{Benchmark\ pathway\ trend} = \frac{EI_C(TY) - EI_C(BY)}{EI_B(TY) - EI_C(BY)}$$

Where:

- $EI_c(TY)$ is the company scope 1 and 2 emissions intensity at target year
- $EI_c(BY)$ is the company scope 1 and 2 emissions intensity at base year
- $EI_B(TY)$ is the company's benchmark scope 1 and 2 emissions intensity at target year

The commitment gap of the company is equal to (1- trend ratio). Thus, when the company's target pathway is aligned on the company's benchmark, the trend ratio is equal to 1 and the commitment gap is 0 (see Figure 12).

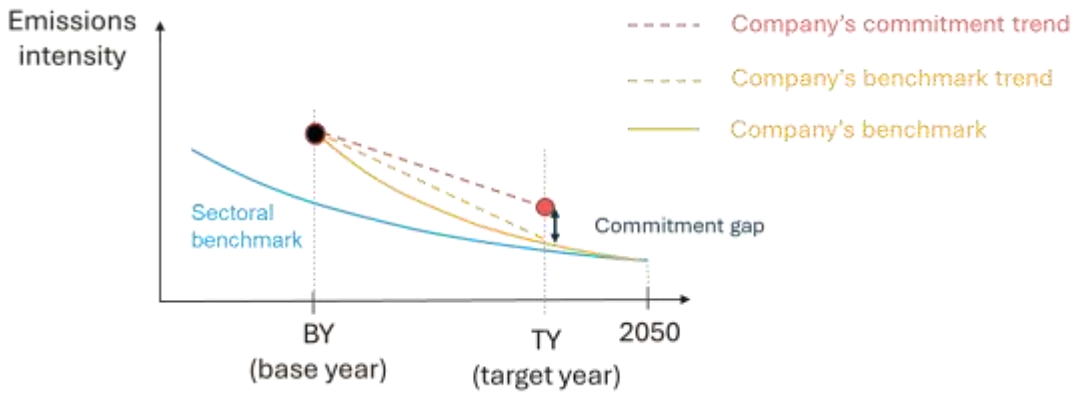



FIGURE 12: TREND RATIO AND COMMITMENT GAP

### 2) Final score

The final score assigned to the indicator is calculated as follows (see Appendix 11.3 for a graphic illustration of the different cases):

| Conditions | Score |
|---|---|
| $Company's\ target\ trend > 0$<br>Increase in company emissions intensity | 0% |
| $Company's\ target\ trend \leq 0$<br>$0 \leq trend\ ratio \leq 1$<br>Decrease in company emissions intensity but company's commitment does not go beyond the company's benchmark ambition | $Trend\ ratio \times 100\%$ |
| $Company's\ target\ trend < 0$ and $EI_C(BY) \geq EI_B(2050)$<br>$trend\ ratio > 1$ | 100% |

| | |
|---|---|
| Decrease in company emissions intensity and company's commitment equals or exceeds the company's benchmark ambition | |
| $Company's\ target\ trend \leq 0\ and\ EI_C(BY) \leq EI_B(2050)$<br>No increase in company emissions intensity and company's emissions intensity is already below the company's benchmark ambition for 2050 | 100% |

Targets that do not cover > 95% of direct emissions are not preferred in the calculations. If only such targets are available, then the score will be adjusted downwards in proportion with % coverage. If the target coverage of total company emissions at base year ($C_{BY}$) represents less than 95%, the final score is equal to:

Final Score = Score x Target coverage of total company emissions ($C_{BY}$)

If the company has set several targets, the consolidation of the scores assigned to each target will be based on the share of emissions covered by the targets.

The final score for each dimension is given as the average score for all targets assessed within the timescale for each dimension.

**AGGREGATE SCORE: DIMENSION 1: 50%, DIMENSION 2: 50%**

**ACA SPECIFIC CASE**

If the company benchmark pathway is built using the absolute contraction approach (ACA), calculations are the same as above, but using absolute emissions instead of emission intensities.

**RATIONALE**

**FA 1.1 ALIGNMENT OF SCOPE 1 AND 2 EMISSIONS REDUCTION TARGETS**

**RATIONALE OF THE INDICATOR**

**RELEVANCE OF THE INDICATOR:**

Scope 1 and 2 emissions reduction targets are included in the ACT Fashion methodology for the following reasons:

- Targets are an indicator of corporate commitment to reduce emissions and are a meaningful metric of the company's internal planning towards the transition.
- Targets are one of the few metrics that can predict a company's long-term plan beyond that which can be projected in the short-term, satisfying ACT's need for indicators that can provide information on the long-term future of a company.

#### SCORING RATIONALE:

Targets are quantitatively interpreted and directly compared to a low-carbon benchmark built from the company's current level of emissions at base year and converging toward the 2050 value of the sectoral benchmark relevant for this source. Comparing the trends gives a direct measure of the commitment gap of the company. It was chosen for its relative simplicity in interpretation and powerful message.

The indicator is split into two dimensions to account for the importance of a company having targets which are aligned not just in the long-term but also in the near-term. The Science Based Targets initiative's Net Zero Standard requires companies to set both near-term and long-term science-based targets which are in line with 1.5-degree pathways. The justification for having both near- and long-term targets is explained in the Net Zero Standard: "Near-term targets galvanize the action required for significant emissions reductions to be achieved by around 2030. Near-term emissions reductions are critical to not exceeding the global emissions budget and are not interchangeable with long-term targets. […] Long-term targets drive economy-wide alignment and long-term business planning to reach the level of global emissions reductions needed to meet climate goals based on science" [18]. The recent report by the United Nations Secretary-General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG) also recommends setting both near-term and long-term targets [19].

## • FA 1.2 ALIGNMENT OF ABSOLUTE SCOPE 3 EMISSIONS REDUCTION TARGETS (WEIGHTING: 6 – 8%)

**DESCRIPTION & REQUIREMENTS**

### FA 1.2 ALIGNMENT OF SCOPE 3 EMISSIONS REDUCTION TARGETS

**SHORT DESCRIPTION OF INDICATOR**

A measure of the alignment of the company's near and long-term scope 3 emissions absolute reduction targets with its decarbonisation pathway. The indicator will compare the trend of company's targeted pathway to the trend of company's benchmark and thus identify the gap between both pathways at the target year, which is expressed as the company's commitment gap.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Targets information for each relevant scope 3 GHG emission source (target year and targeted emissions, emissions reduction between base year and target year, coverage)
- Share of scope 3 emission sources in total emissions [%]
- Base year, emissions at base year

CDP Questionnaire 2023 mapping to this indicator:

- C4.1
- C4.1a

Scope 3 emissions cover purchased goods and services, capital goods, as well as transportation and distribution.

External sources of data used for the analysis of this indicator are:

- Absolute Contraction Approach (ACA) scenario developed by SBTi [17]

The benchmark indicators involved are:

| Target type | Parameter | Intensity metric | Methodological sources |
|---|---|---|---|
| Total Scope 3 emissions – ACA target | $CB_{Total}$ | % of absolute emissions | SBT Absolute Contraction [17] |
| Industry direct process – other industrial process | $CB_{ip}$ | % of absolute emissions | SBT absolute contraction [17] |

**HOW THE ASSESSMENT WILL BE DONE**

See section 6.1 Benchmarks for more information.

All the benchmarks used by the ACT initiative are aligned at minimum with the ambition of the Beyond-2-Degree Scenario3 (B2DS). If the assessor/company has the choice between two benchmarks, the most ambitious scenario should be used, and must meet at minimum the ambition requirements of the B2DS.

*NB: This indicator only assesses absolute scope 3 emissions reduction targets as intensity targets are normalized and cannot ensure absolute emissions reduction. If the company assessed only has intensity targets and cannot be translated in absolute targets, then its scoring on the indicator shall be 0%.*

The analysis has two dimensions:

- Dimension 1 assesses the alignment of the company's near-term targets. Any target where the target year ≤ reporting year + 10 can be included in this dimension.
- Dimension 2 assesses the alignment of a company's long-term targets. Any target for which the target year > reporting year + 10 can be included in this dimension.
- The scoring rationale and calculation are the same for both dimensions.

The analysis is based on a trend ratio between the company's scope 3 emissions target and the company benchmark. Trends are computed between reporting year and the longest time horizon of the target.

The company's target pathway is the decarbonization over time, defined by the company's scope 3 emissions reduction target. To compute it, a straight line is drawn between the starting point of the analysis and the company's target endpoint.

The company benchmark pathway is the company specific scope 3 emissions low-carbon benchmark pathway.

The company achieves the maximum score if the company's target pathway and the company benchmark pathway are aligned (commitment gap = 0) and if the targets are covering most of the company's scope 3 emissions at base year.

**CALCULATION OF SCORE:**

### 1) Trend ratio

The score is calculated by dividing the company's emissions reduction trend by the specific benchmark emissions reduction trend between the base year and the target year through the trend ratio:

$$Trend\ ratio = \frac{Company's\ target\ trend}{Benchmark\ pathway\ trend} = \frac{E_C(TY) - E_C(BY)}{E_B(TY) - E_C(BY)}$$

Where:

- $E_c$(TY) is the company scope 3 emissions at target year
- $E_c$(BY) is the company scope 3 emissions at base year
- $E_B$(TY) is the company's benchmark scope 3 emissions at target year

The commitment gap of the company is equal to (1- trend ratio). Thus, when the company's target pathway is aligned on the company's benchmark, the trend ratio is equal to 1 and the commitment gap is 0 (see Figure 12 bis).

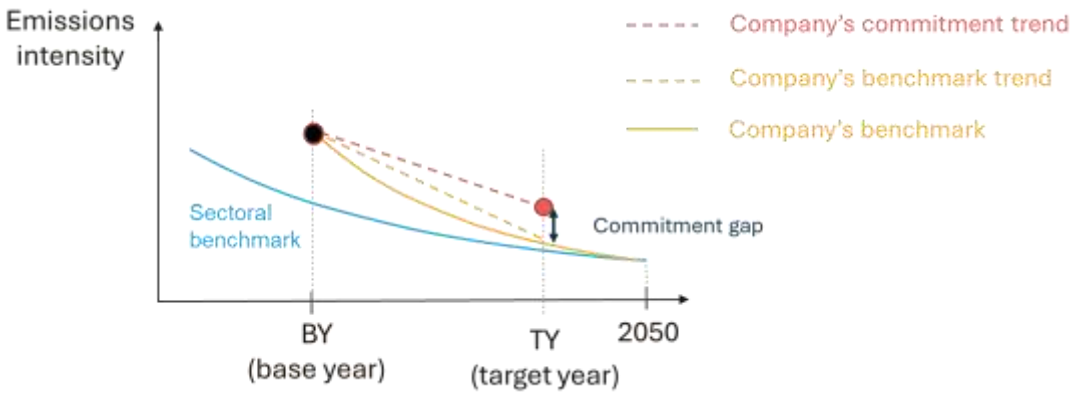



FIGURE 12 BIS: TREND RATIO AND COMMITMENT GAP

### 2) Final score

The final score is calculated as follows (see Appendix 11.3 for a graphic illustration of the different cases):

| Conditions | Score |
|---|---|
| $Company's\ target\ trend > 0$<br>Increase in company emissions | 0% |
| $Company's\ target\ trend \leq 0$<br>$0 \leq trend\ ratio \leq 1$<br>Decrease in company emissions but company's commitment does not go beyond the company's benchmark ambition | $Trend\ ratio \times 100\%$ |
| $Company's\ target\ trend < 0$ and $E_C(BY) \geq E_B(2050)$<br>$trend\ ratio > 1$<br>Decrease in company emissions and company's commitment equals or exceeds the company's benchmark ambition | 100% |
| $Company's\ target\ trend \leq 0\ and\ EI_C(BY) \leq EI_B(2050)$<br>No increase in company emissions and company's emissions is already below the company's benchmark ambition for 2050 | 100% |

Targets that do not cover > 95% of direct emissions are not preferred in the calculations. If only such targets are available, then the score will be adjusted downwards in proportion with % coverage. If the target coverage of total company emissions at base year ($C_{BY}$) represents less than 95%, the final score is equal to:

Final Score = Score x Target coverage of total company emissions ($C_{BY}$)

If the company has set several targets, the consolidation of the scores assigned to each target will be based on the share of emissions covered by the targets.

The final score for each dimension is given as the average score for all targets assessed within the timescale for each dimension.

**AGGREGATE SCORE: DIMENSION 1: 50%, DIMENSION 2: 50%**

**RATIONALE**

## FA 1.2 ALIGNMENT OF SCOPE 3 EMISSIONS REDUCTION TARGETS

### RATIONALE OF THE INDICATOR

### RELEVANCE OF THE INDICATOR:

Scope 3 emissions reduction targets are included in the ACT Fashion assessment for the following reasons:

- Targets are an indicator of corporate commitment to reduce emissions and are a meaningful metric of the company's internal planning towards the transition.
- Targets are one of the few metrics that can predict a company's long-term plan beyond that which can be projected in the short-term, satisfying ACT's need for indicators that can provide information on the long-term future of a company.
- For most actors covered by ACT Fashion, scope 3 emissions may represent a significant source of emissions. A GHG emissions reduction target should be assigned to them.

### SCORING RATIONALE:

Targets are quantitatively interpreted and directly compared to a low-carbon benchmark built from the company's current level of emissions at base year and converging toward the 2050 value of the sectoral benchmark relevant for this source. Comparing the trends gives a direct measure of the commitment gap of the company. It was chosen for its relative simplicity in interpretation and powerful message.

The indicator is split into two dimensions to account for the importance of a company having targets which are aligned not just in the long-term but also in the near-term. The Science Based Targets initiative's Net Zero Standard requires companies to set both near-term and long-term science-based targets which are in line with 1.5-degree pathways. The justification for having both near- and long-term targets is explained in the Net Zero Standard: "Near-term targets galvanize the action required for significant emissions reductions to be achieved by around 2030. Near-term emissions reductions are critical to not exceeding the global emissions budget and are not interchangeable with long-term targets. […] Long-term targets drive economy-wide alignment and long-term business planning to reach the level of global emissions reductions needed

to meet climate goals based on science" [18]. The recent report by the United Nations Secretary-General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG) also recommends setting both near-term and long-term targets [19].

*NB: The targets considered under this indicator are absolute scope 3 emissions reduction targets. Indeed, intensity targets are normalized and cannot ensure absolute emissions reduction (a reduction of the intensity per sold product could result in an increase in absolute emissions if the sold volumes increase over the considered period). Therefore, if the company assessed only has intensity targets, its scoring on the indicator will be 0%.*

## • FA 1.3 TIME HORIZON OF TARGETS (WEIGHTING: 3%)

| DESCRIPTION & REQUIREMENTS | FA 1.3 TIME HORIZON OF ENDPOINT AND INTERMEDIATE TARGETS |
|---|---|
| SHORT DESCRIPTION OF INDICATOR | A measure of the time horizons of company targets. The ideal set of targets is forward looking enough to include a long-term horizon (2050), but also includes short-term targets that incentivize action in the present. |
| DATA REQUIREMENTS | The relevant data for this indicator are:<br>♦ Per target: Target year, and scopes or emissions sources covered by the target. Please include all company targets (target with the longest time horizon **and** all intermediate targets).<br>CDP Questionnaire 2023 mapping to this indicator:<br>• C4.1a (absolute targets)<br>• C4.1b (intensity targets) |
| HOW THE ANALYSIS WILL BE DONE | The analysis has two dimensions:<br>♦ A comparison of: (a) the longest time horizon of the company's targets, and (b) the long-term point fixed by ACT assessment methodology.<br>♦ The company has interval targets that ensure both short and long-term targets are in place to incentivize short-term action and communicate long-term commitments. |

**DIMENSION 1 - TARGET ENDPOINT:** The company's target endpoint (Te) is compared to the long-term point (LT, which is fixed at 2050) minus the reporting year, aligned with low-carbon scenario. The long-term point is set at 2050 because this year is a key step in most international commitments.

The company's target endpoint ($T_e$) is equal to the longest time horizon among the company's targets, minus the reporting year:

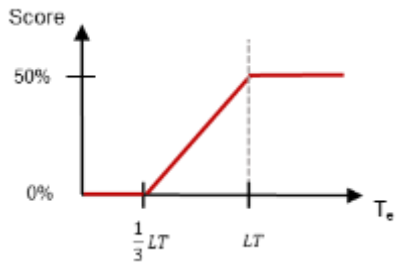
$$T_e = Longest\ target\ time\ horizon - reporting\ year$$

The analysis compares $T_e$ to LT. This analysis measures the horizon gap:

$$Horizon\ gap = LT - T_e$$

The company's target endpoint is scored according to the following scoring table:

| HORIZON GAP | SCORE |
|---|---|
| $\boldsymbol{T_e} > LT$ | 50% |
| $\mathbf{33\%} * \boldsymbol{LT} < \boldsymbol{T_e} < LT$ | $75\% * \frac{T_e}{LT} - 25\%$ |
| $\boldsymbol{T_e} \leq \mathbf{33\%} * \boldsymbol{LT}$ | 0% |




**DIMENSION 2 - INTERMEDIATE HORIZONS:** All company targets and their endpoints are calculated and plotted. The ideal scoring company does not have intervals between target endpoints larger than 5 years from the reporting year.

Measurements are done in five-year intervals between the reporting year and the longest time horizon of the company.

The company's targets are compared according to the following scoring table:

| Intermediate target gap length | Score |
|---|---|
| All the gaps during $T_e$ are equal to or less than 5 years | 50% |
| All the gaps until 80% of $T_e$ are equal to or less than 5 years | 40% |
| All the gaps until 60% of $T_e$ are equal to or less than 5 years | 30% |
| All the gaps until 40% of $T_e$ are equal to or less than 5 years | 20% |
| All the gaps until 20% of $T_e$ are equal to or less than 5 years | 10% |
| All the gaps of 5 years or less do not reach 20% of $T_e$ or there is no such gaps disclosed by the company | 0% |

An example is illustrated in Figure 13.

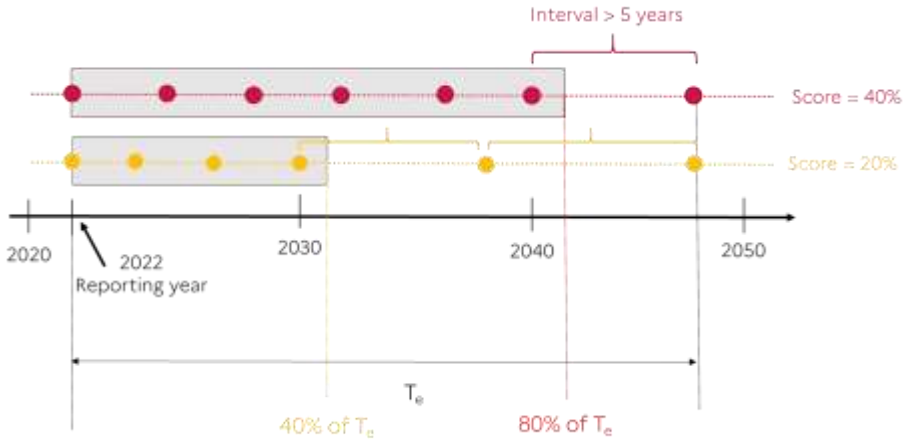



FIGURE 13: EXAMPLES OF HORIZONS OF INTERMEDIATE TARGETS SET BY THE COMPANY AND CORRESPONDING SCORES ON DIMENSION 2 OF THE INDICATOR 1.4

**AGGREGATE SCORE: DIMENSION 1: 50%, DIMENSION 2: 50%**

**FOR ALL CALCULATIONS:**

Targets that do not cover > 95% of direct emissions are not preferred in the calculations. If only such targets are available, then the score will be adjusted downwards in proportion with % coverage. If the target coverage of total company emissions at reporting year ($C_{RY}$) represents less than 95%, the final score is equal to:

Final Score = Score x Target coverage of total company emissions ($C_{RY}$))

If the company has set several targets, the consolidation of the scores assigned to each target will be based on the share of emissions covered by the targets.

| RATIONALE | FA 1.3 TIME HORIZON OF TARGETS |
|---|---|
| RATIONALE OF THE INDICATOR | **RELEVANCE OF THE INDICATOR:**<br>The time horizon of targets is included in the ACT Fashion assessment for the following reasons:<br>♦ The target endpoint is an indicator of how forward looking the company's transition strategy is.<br>♦ Aside from communicating long-term commitments, short-term action needs to be incentivized. This is why short time intervals between targets are needed. A 5-year interval is seen as a suitable interval to ensure company is taking enough action, holding itself accountable by measuring progress every 5 years. |

## • FA 1.4 ACHIEVEMENT OF PAST AND CURRENT TARGETS (WEIGHTING: 2%)

| DESCRIPTION & REQUIREMENTS | FA 1.4 ACHIEVEMENT OF PAST AND CURRENT TARGETS |
|---|---|

**SHORT DESCRIPTION OF INDICATOR**

A measure of the company's historic target achievements and current progress towards active emissions reduction targets. All the scopes of the company are considered. The ambition of the target is qualitatively assessed and is not included in the performance indicators.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

For each target set in the past 10 years:

- Base year
- Start year
- Target year
- Percentage of reduction target from base year in absolute emissions
- Percentage of absolute emissions reduction target achieved
- Percentage of reduction target from base year in emissions intensity
- Percentage of emissions intensity reduction target achieved
- Percentage of scope 1+2, or scope 1+2+3 emissions covered by the targets, depending on the company profile

CDP Questionnaire 2023 mapping to this indicator:

- C4.1a (absolute targets)
- C4.1b (intensity targets)

**HOW THE ASSESSMENT WILL BE DONE**

For the performance score, this indicator is assessed on two dimensions, whereby companies achieve the maximum score if:

**DIMENSION 1 – PAST TARGETS:** The company has achieved all previous emissions reduction targets with a target year in the past 10 years. If all past targets are indeed achieved, the highest score is obtained. If not, the achievement ratio $a$ is computed as follows:

$$a = \frac{E(t_{ref}) - E(t_{horizon})}{E(t_{ref}) - T(t_{horizon})}$$

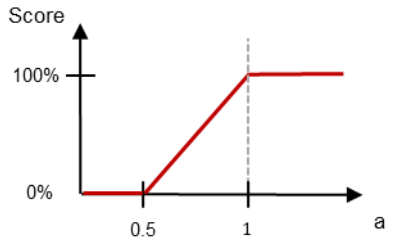
Where:

- $E(t_{ref})$ is the level of emissions of the company in the base year
- $T(t_{horizon})$ is the target the company set (a given level of emissions at a given horizon year, now past)
- $E(t_{horizon})$ is the effective level of emissions reached by the company in the target year

A threshold is set for scoring at 0.5: if the company achieved less than 50% of the historic target, it will receive a zero score.

If the company has several past targets over the last 10 years, the ratio $a$ shall be computed for each target, and the average of all $a$ ratio shall be used for scoring.

| Achievement ratio | Score |
|---|---|
| $a \geq 1$ | 100% |
| 0.5 < $a$< 1 | 100%*(2*$a$-1) |
| $a \leq 0.5$ | 0% |




### DIMENSION 2 – CURRENT TARGETS:

Assesses whether the company is currently on track to meet a current emissions reduction target. The assessment is based on the progress ratio $p$:

$$\mathrm{p} = \frac{a}{\%\ time}$$

$a$ being defined in dimension 1 and the past time ratio $\%time$ defined as follows:

$$\%time = \frac{t_{reporting} - t_{ref}}{t_{horizon} - t_{ref}}$$

Where:

- $t_{ref}$ is the year during which the target was set
- $t_{reporting}$ is the reporting year
- $t_{horizon}$ is the year of horizon of the target

The highest score is attained if $p \geq 1$. A percentage score is assigned for any value between 0 and 1.

| Progress ratio | Score |
|---|---|
| $p \geq 1$ | 100% |
| $p < 1$ | p (%) |

For this second dimension, target year must be at least one year after reporting year, and target start year must be at least one year before reporting year.

### AGGREGATE SCORE - DIMENSION 1: 25%, DIMENSION 2: 75%

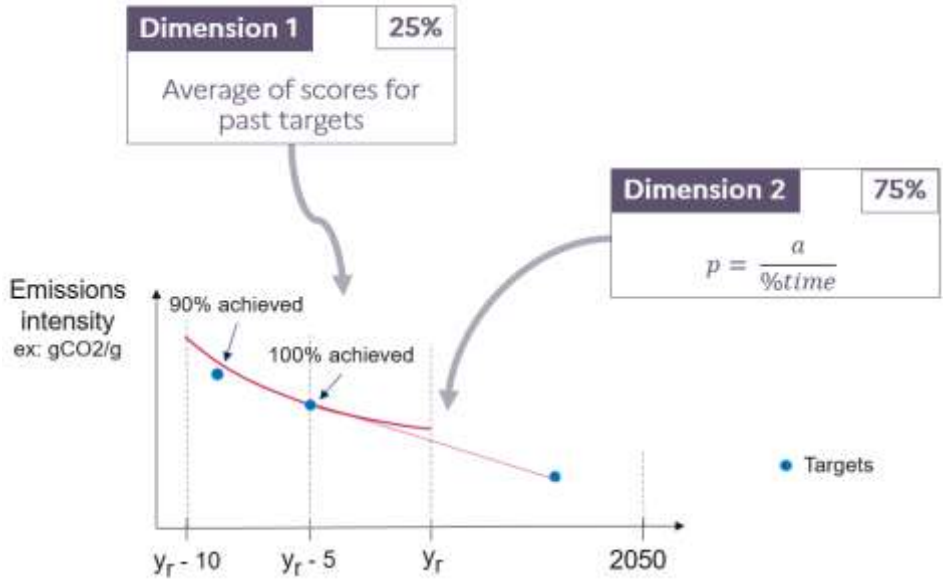



FIGURE 14: CALCULATION OF THE ACHIEVEMENT OF PREVIOUS TARGET INDICATOR

### FOR ALL CALCULATIONS:

- Companies which do not have targets with target years in the past but only with target years in the future are not assessed on dimension 1, but only on dimension 2. Their score for this indicator is based on Dimension 2.
- Targets should cover >95% of the company's GHG emissions scope. However, if it is not the case, no penalty is applied since indicators assessing ambition of targets already penalize partial coverage of emissions.
- If the company has multiple targets in different scopes that can be assessed according to the above criteria, then the score is an average score based on the progress ratios of all targets assessed.

The performance score does not assess the ambition level of previous targets, and therefore dimension 1 has a low weight in the final performance score. This information is also qualitatively assessed in the narrative analysis, which will consider the following dimensions:

- Achievement level: To what degree has the company achieved its previously set emissions reduction targets.
- Progress level: To what degree is the company on track to meet its currently active emissions reduction targets.
- Ambition level: What level of ambition do the previously achieved emissions reduction targets represent.

## RATIONALE

## FA 1.4 ACHIEVEMENT OF PAST AND CURRENT TARGETS

### RATIONALE OF THE INDICATOR

### RELEVANCE OF THE INDICATOR:

The historic target ambition and company performance is included in this ACT methodology for the following reasons:

- The ACT assessment looks only to the past to the extent where it can inform the future. This indicator is future-relevant because it provides information on the organizational capability to set and meet emissions reduction targets. Dimension 1 of this indicator gives credibility to any company commitments to a science-based reduction pathway when the company shows it has succeeded in achieving its past targets.
- Dimension 2 of this indicator adds additional value to the assessment by showing if the company is on track to achieve current targets.

### SCORING RATIONALE:

Previous target achievement is not straightforward to interpret quantitatively. Therefore, the performance score doesn't take into account past target ambition and leaves it to the narrative assessment for a meaningful judgement on the ambition level of past targets.

- Dimension 1 of the performance score will penalize companies who have not met past targets in the past 10 years, as this means the company has lower credibility when setting ambitious science-based targets.
- Dimension 2 uses a simple ratio, which reflects how well or not the company is currently on track to reach its existing emissions reduction target. The maximum score is obtained when the percentage of the targeted reduction achieved is equal to or higher than the time elapsed since the target base year. This results in a progress ratio of 1 or above. No score is awarded if the percentage of reduction achieved is less than half the percentage of time elapsed. Consequently, staying on track with the original target throughout its timeline is rewarded.

# MODULE 2: DIRECT OPERATIONS (WEIGHTING: 5 – 20%)

Module 2, “Direct operations”, assesses actions to reduce scope 1 and 2 emissions from the company’s assets and operations. Comparing the company’s trend in past and projected scope 1 and 2 emissions intensity with its 1.5°C pathway provides a good measure of its transition progress.

## • FA 2.1 TREND IN PAST SCOPE 1+2 EMISSIONS (WEIGHTING: 2,5 – 5%)

**DESCRIPTION & REQUIREMENTS**

**FA 2.1 TREND IN PAST SCOPE 1+2 EMISSIONS**

**SHORT DESCRIPTION OF INDICATOR**

A measure of the alignment of the past trend of the company’s scope 1 and 2 emissions with the low-carbon benchmark pathway. The indicator will compare the gradient of this trend over a 5-year period to the reporting year (reporting year minus 5 years) with the low-carbon benchmark pathway trend over a 5-year period after the reporting year.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Scope 1 and 2 absolute emissions at reporting year (RY) and reporting year minus five years (RY-5)
  OR
- Total direct emissions from direct operations at RY and RY-5.

CDP Questionnaire 2023 mapping to this indicator:

- C6.1
- C6.3
- C6.10

External sources of data used for the analysis of this indicator are:

- Absolute Contraction Approach (ACA) scenario developed by SBTi [17]

The benchmark indicator involved is the following:

| Source of emissions | Subparameter | Intensity metric | Benchmark |
|---|---|---|---|
| Total scope 1 and 2 emissions | S12.T | % of absolute emissions | SBT Absolute contraction [17] |

**HOW THE ASSESSMENT WILL BE DONE**

This indicator assesses trends in absolute scope 1 and 2 emissions as emissions intensity are normalized which cannot ensure absolute emissions reduction. If the company assessed only provides emissions intensity data, its scoring on the indicator shall be 0%.

The analysis has two dimensions:

- An assessment of the company's trend in scope 1 and 2 emissions over the last five years
- An assessment of the quality of the data provided by the company.

#### DIMENSION 1 – TREND IN PAST SCOPE 1 AND 2 EMISSIONS (80%):

The analysis is based on the comparison between the company's recent (RY-5) emissions trend gradient ($CR'_{SC1+2}$) and the company's decarbonisation pathway trend gradient ($CB'_{SC1+2}$) in the short-term (RY+5). The absolute emissions of the company at the reporting year ($CEI_{RY}$) and the sectoral benchmark value of emissions in 2050 ($SB_{2050}$) are also taken into consideration to calculate the company's score.

$CR'_{SC1+2}$ is the gradient of the linear trend-line of the company's recent scope 1 and 2 emissions over time ($CR_{SC1+2}$).

$CB'_{SC1+2}$ is the gradient of the linear trend-line of the company benchmark pathway for emissions ($CB_{SC1+2}$). See section 6 for the computation of the company specific decarbonisation pathway.

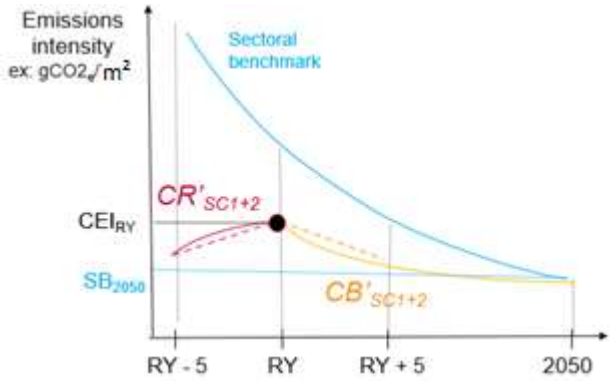
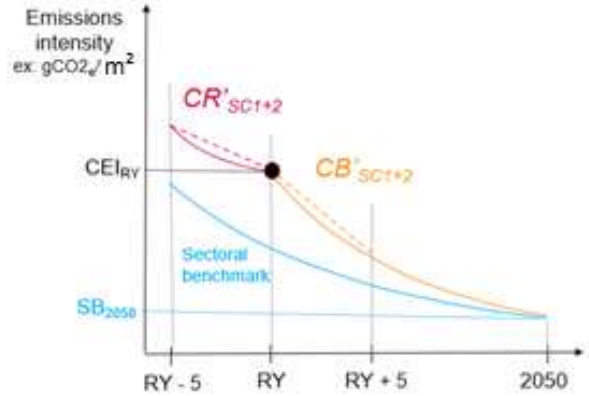
The difference between $CR'_{SC1+2}$ and $CB'_{S1+2}$ will be measured by their ratio ($r_{Sc1+2}$). This is the scope 1 and 2 emissions Transition ratio, which is calculated by the following equation, with the apostrophe symbol (') used to denote gradients:

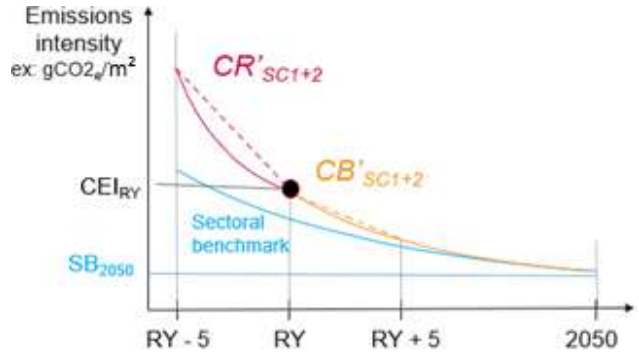
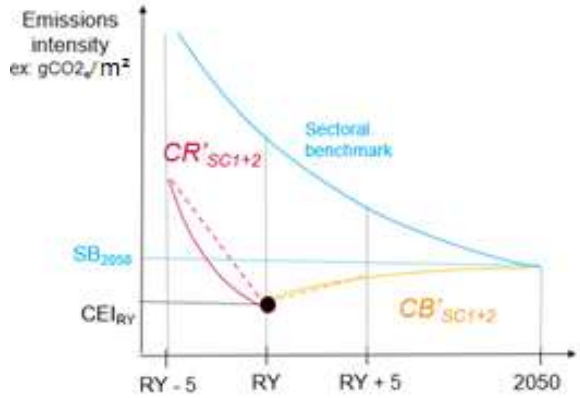
$$R_{Sc1+2} = \frac{CR'_{Sc1+2}}{CB'_{Sc1+2}}$$

Four different cases are to be taken into consideration, as illustrated in :

- Case #1: $CR'_{SC1+2}$ is positive → Score = 0 (whatever the $r_{Sc1+2}$ and $CEI_{RY}$ values)
- Case #2: $CR'_{SC1+2}$ is negative and 0 < $R_{Sc1+2}$ <1 and $CEI_{RY}$ is higher than $SB_{2050}$ → Score = $R_{Sc1+2}$ (expressed as a percentage)
- Case #3: $CR'_{SC1+2}$ is negative and $R_{Sc1+2}$ ≥ 1 and $CEI_{RY}$ is higher than $SB_{2050}$ → Score = 100 %
- Case #4: $CR'_{SC1+2}$ is negative and $CEI_{RY}$ is lower than $SB_{2050}$ → Score = 100 % (whatever the $R_{Sc1+2}$ value)

TABLE 11: ILLUSTRATIVE GRAPHS FOR TREND IN PAST EMISSIONS SCORING

| Case #1 | Case #2 |
|---|---|
|  |  |
| $CR'_{SC1+2}$ > 0<br>Whatever the $r_{SC1+2}$ value<br>Whatever the $CEI_Y$ value | $CR'_{SC1+2}$ < 0<br>0 < $r_{SC1+2}$ < 1<br>$CEI_Y$ > $SB_{2050}$ |
| **Score = 0** | **Score = $r_{SC1+2}$ (%)** |

| Case #3 | Case #4 |
|---|---|
|  |  |
| $CR'_{SC1+2} < 0$<br>$r_{SC1+2} \geq 1$<br>$CEI_Y > SB_{2050}$ | $CR'_{SC1+2} < 0$<br>$CEI_Y < SB_{2050}$<br>whatever the $r_{SC1+2}$ value |
| **Score = 100 %** | **Score = 100 %** |

If scope 1 and 2 emissions are not available at reporting year minus five years:

- If scope 1 and 2 emissions are available at reporting year minus three years or more, the assessor shall perform a linear regression on the available data to approximate the company's emissions at reporting year minus five years ;
- If scope 1 and 2 emissions are not available before reporting year minus two years, the company scores 0% on this dimension.

#### DIMENSION 2 – DATA QUALITY (20%):

The assessor will assess the quality of the data provided by the company. The assessment will assign a maturity score based on the company's data quality, expressed in a maturity matrix with three main components:

- Data existence at RY-5
- Granularity level of the provided data
- Contribution of each lever

| Evaluation level | Basic | Advanced | Low-carbon aligned | Subscore |
|---|---|---|---|---|
| ***Score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***Data existence at RY-5*** | No scope 1 and 2 data available at reporting year minus five years | | Scope 1 and 2 data available at reporting year minus five years | ***50%*** |
| ***Data granularity level*** | The company has not provided any data<br>OR<br>The level of granularity of the data is very low (e.g. overall scope 1 and 2 emissions and/or CAPEX) | The level of granularity of the data is average (e.g. scope 1 and 2 emissions with no details by country, by asset or by Business Unit) | The company has a next practice level of reporting and the granularity of the data is high (e.g. yearly scope 1 and 2 emissions with details by assets, country, Business Unit) | ***25%*** |
| ***Contribution of each lever*** | The company has not identified any levers contributing to observed trends in energy consumption and/or emissions | The company has identified the levers responsible for the observed trend in scope 1 and 2 emissions<br>AND<br>The company is not able to provide quantitative data on the contribution of each lever to the overall trend | The company has identified the levers responsible for the observed trend in scope 1 and 2 emissions<br>AND<br>The company is able to provide quantitative data on the contribution of each lever to explain the overall trend | ***25%*** |

**AGGREGATE SCORE: DIMENSION 1: 80%, DIMENSION 2: 20%**

## FA 2.1 TREND IN PAST SCOPE 1+2 EMISSIONS

RATIONALE OF THE INDICATOR

### RELEVANCE OF THE INDICATOR:

Trend in past emissions indicator is included in ACT Fashion methodology for the following reasons:

- Trend in past emissions shows the speed at which the company has been reducing its scope 1 and 2 emissions over the recent past. Comparing this to the decarbonisation pathway gives an indication of the speed of the change that needs to be made within the company to bring it onto a low-carbon pathway.
- While ACT aims to be as future-oriented as possible, it does not want to rely solely on projections, in a way that would make the analysis too vulnerable to the uncertainty of those projections. Therefore, this measure, along with projected absolute emissions, forms part of a holistic view of company emissions performance in the past, present, and future.
- This indicator is future-relevant by providing information on the organizational capability to deliver emissions reductions that are aligned with the benchmark.

### SCORING RATIONALE:

**Dimension 1:** While 'gap' type scoring is preferred where possible for any indicator, this indicator only looks at past emissions and would therefore require a different baseline in order to generate a gap analysis. Thus, instead of a gap analysis, a trend analysis is conducted to compare current data of the company to the past data and improvements that have been made since the past data. An advantage of this trend analysis is that trends can be compared directly and a score can be directly correlated to the resulting ratio.

**Dimension 2:** The quality of the data is also to be considered in this indicator. Indeed, because a linear regression can be performed in case scope 1 and 2 emissions are not available at reporting year minus five years, dimension 1 does not allow the discrimination of companies that did not calculate or report their scope 1 and 2 emissions in the past compared to those which did. In addition, dimension 2 aims to assess the quality and granularity of the provided data in order to reward companies having best practice in place.

Trends in absolute scope 1 and 2 emissions are considered under this indicator. Indeed, trends in emission intensity are not relevant as the emissions are normalized which cannot ensure a reduction in absolute emissions (a reduction of the intensity per sold product could result in an increase in absolute emissions if the sold volumes increase over the considered period). Therefore, if the company assessed only provides intensity data, its scoring on the indicator will be 0%.

## • FA 2.2 TREND IN FUTURE SCOPE 1+2 EMISSIONS (WEIGHTING: 2,5 – 15%)

**DESCRIPTION & REQUIREMENTS**

### FA 2.2 TREND IN FUTURE SCOPE 1+2 EMISSIONS

**SHORT DESCRIPTION OF INDICATOR**

A measure of the alignment of the future trend of the company's scope 1 and 2 emissions with the low-carbon benchmark pathway. The indicator will compare the gradient of this trend with the low-carbon benchmark pathway trend over a 5-year period after the reporting year.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Scope 1 and 2 absolute emissions at reporting year (RY) and reporting year plus five years (RY+5)
  OR
- Total direct emissions from direct operations at RY and RY+5.

Future emissions should be estimated for each company assets with their expected production activity. If sufficient information is not available to estimate future emissions intensity from company assets then the company's emissions intensity is considered to be constant over the period RY to RY+5. If sufficient information is not available to estimate future emissions then the company's emissions are considered to be constant over the period RY to RY+5.

CDP Questionnaire 2023 mapping to this indicator:

- C6.1
- C6.3
- C6.10

External sources of data used for the analysis of this indicator are:

- Absolute Contraction Approach (ACA) scenario developed by SBTi [17].

The benchmark indicator involved is the following:

| Source of emissions | Subparameter | Intensity metric | Benchmark |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Total scope 1 and 2 emissions | S12.T | % of absolute emissions | SBT Absolute contraction [17] |

**HOW THE ASSESSMENT WILL BE DONE**

This indicator assesses trends in future absolute scope 1 and 2 emissions. Emissions intensity are normalized and cannot necessarily ensure absolute emissions reduction. If the assessed company only provides emissions intensity data and cannot convert it into absolute emissions, its scoring on the indicator shall be 0%. In addition, this indicator is future-oriented, so if the company is not able to provide a projection of its scope 1 and 2 emissions at RY+5, it will score 0% on this indicator.

The analysis has two dimensions:

- An assessment of the existence and quality of the company's roadmap
- An assessment of the company's expected trend in scope 1 and 2 emissions over the next five years

**DIMENSION 1 – ROADMAP EXISTENCE AND QUALITY (50%):**

The assessor will assess the quality of the company's roadmap for Scope 1&2 emissions. The assessment will assign a maturity score based on the company's data quality, expressed in a maturity matrix presented below.

| Evaluation level | Basic | Advanced | Low-carbon aligned | Subscore |
|---|---|---|---|---|
| ***Score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***Scope 1 & 2 decarbonisation roadmap*** | No roadmap available at reporting year plus five years | The company provided a roadmap allowing to estimate its scope 1 and 2 emissions at reporting year plus five years | The company provided a roadmap allowing to estimate its scope 1 and 2 emissions at reporting year plus five years<br>AND<br>The level of granularity is high (e.g. detailed CAPEX plan by asset) | ***100%*** |

If the company scores 0% on dimension 1 (i.e. if the company does not have a roadmap covering its scope 1 and 2 emissions at reporting year plus five years), the company cannot be assessed for dimension 2 and scores 0% on indicator 2.2.

### DIMENSION 2 – TREND IN FUTURE SCOPE 1 AND 2 EMISSIONS (50%):

The analysis is based on the Future Action ratio ($A_{future}$) which represents the ratio between the trend gradient of company's future (RY+5) scope 1 and 2 emissions from direct operations and the trend gradient of the company's future benchmark (RY+5) emissions, as shown in Figure 15.

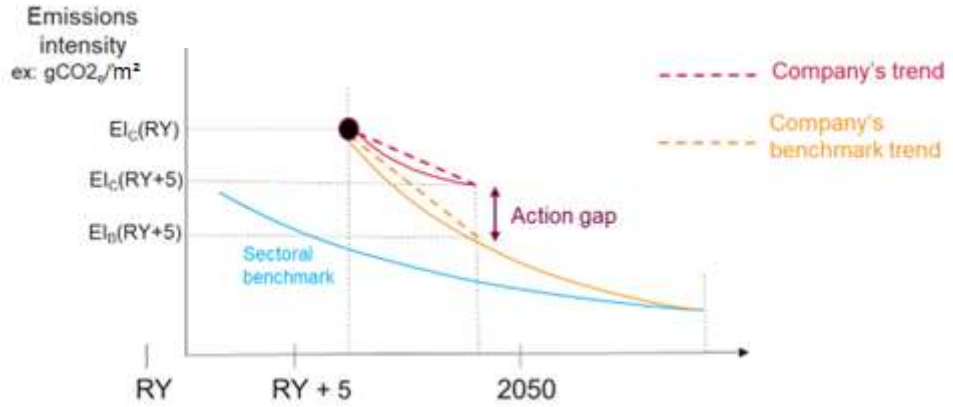



**FIGURE 15: COMPARISON OF TREND IN FUTURE EMISSIONS AND TREND IN COMPANY'S BENCHMARK**

### CALCULATION OF SCORE:

Future Action ratio ($A_{future}$) is calculated by dividing the trend of the company's future emissions from direct operations (between RY and RY+5) and the future benchmark emissions (also between RY and RY+5):

$$A_{future} = \frac{EI_c(RY) - EI_c(RY+5)}{EI_C(RY) - EI_B(RY+5)}$$

Where:

- $EI_c(RY)$ is the company emissions at RY

- $EI_c(RY+5)$ is the company emissions at RY+5
- $EI_B(RY+5)$ is the benchmark emissions at RY+5

The action gap of the company is equal to $(1 - A_{future})$. Thus, when the company's future emissions pathway is aligned with the company's benchmark, the Future Action ratio is equal to 1 and the action gap is 0 (see section 12.3).

The final score assigned to the indicator is calculated as follows (see appendix 11.3 for a graphical illustration of the different cases):

| Conditions | Score |
|---|---|
| $Company's\ future\ trend > 0$<br>Increase in company emissions | 0% |
| $Company's\ future\ trend \leq 0$ and $EI_C(RY) > EI_B(2050)$<br>$0 \leq A_{future} \leq 1$<br>Decrease in company emissions but company's pathway does not go beyond the company's benchmark ambition | $A_{future} \times 100\%$ |
| $Company's\ future\ trend < 0$<br>$A_{future} > 1$<br>Decrease in company emissions and company's pathway equals or exceeds the company's benchmark ambition | 100% |
| $Company's\ future\ trend \leq 0\ and\ EI_C(RY+5) \leq EI_B(2050)$<br>No increase in company emissions and company's emissions is already below the company's benchmark ambition for 2050 | 100% |

**AGGREGATE SCORE: DIMENSION 1: 50%, DIMENSION 2: 50%**

**RATIONALE**

### FA 2.2 TREND IN FUTURE SCOPE 1+2 EMISSIONS

**RATIONALE OF THE INDICATOR**

#### RELEVANCE OF THE INDICATOR:

Trends in future emissions intensity from direct operations are included in the ACT Fashion methodology for the following reasons:

- The trend shows the speed at which the company needs to reduce its emissions intensity for the coming years. Comparing this to the low-carbon benchmark pathway gives an indication of the scale of the change that needs to be made within the company to bring it onto a low-carbon pathway.
- ACT aims to be future-oriented. Therefore, this indicator, with projected emissions intensity, forms part of a holistic view of company emissions performance in the past, present, and future.

#### SCORING RATIONALE

**Dimension 1:** The quality of the data is also to be considered in this indicator. Indeed, because a linear regression can be performed in case scope 1 and 2 emissions are not available at reporting year minus five years, dimension 1 does not allow the discrimination of companies that did not calculate or reported their scope 1 and 2 emissions in the past compared to those which did. In addition, dimension 2 aims to assess the quality and granularity of the provided data to reward companies having best practice in place.

**Dimension 2:** Comparing the trends gives a direct measure of the future action gap of the company. It was chosen for its relative simplicity in interpretation; it is aligned with most of the other forward-looking indicators. The indicator looks at a fixed point in the future and assesses the impact of planned assets deployment in reducing emissions.

Trends in absolute scope 1 and 2 emissions are considered under this indicator. Indeed, trends in emission intensity are not relevant as the emissions are normalized which cannot ensure a reduction in absolute emissions (a reduction of the intensity per sold product could result in an increase in absolute emissions if the sold volumes increase over the considered period). Therefore, if the company assessed only provides intensity data, its scoring on the indicator will be 0%.

## • FA 2.3 PRE-CONSUMER WASTE REDUCTION (WEIGHTING: 0 – 5%)

## DESCRIPTION & REQUIREMENTS

### FA 2.3 PRE-CONSUMER WASTE REDUCTION

**SHORT DESCRIPTION OF INDICATOR**

This indicator aims to assess the efforts towards pre-consumer waste (i.e. production losses) reduction. The reduction of pre-consumer waste is a critical lever during the manufacturing as it is estimated that between 20 and 30% of textile waste is generated when cutting the pieces for each garment [15].

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Documents/reports related to pre-consumer waste reduction (interventions and targets)

**HOW THE ASSESSMENT WILL BE DONE**

To be ready for the transition to a low-carbon economy, companies need to plan and carry out “interventions” within the value chain in order to exercise their market position and influence to reduce GHG emissions. As this indicator focuses on the manufacturing step, it will be evaluated for Suppliers/Manufacturers (finished products and contract manufacturing) and integrated brands. The weight for this indicator is set to 0% for non-integrated brands and pure retailers that do not operate in the manufacturing stage of the Fashion value chain.

The company identifies interventions that could reduce the pre-consumer waste generated during the manufacturing stage (i.e. production losses) and lists the potential targets it has taken regarding those losses.

Actions eligible for pre-consumer waste reduction include technical advances allowing the reduction of losses in production during the manufacturing stage and losses valorization (e.g. recycling, upcycling). Other actions may be eligible, if judged relevant by the assessor.

The assessment will assign a maturity score based on the company’s reported interventions and targets, expressed in a maturity matrix with three main components:

- Commitments of the company related to pre-consumer waste reduction
- Methods used to reduce pre-consumer waste
- Monitoring and verification regarding pre-consumer waste volumes.

**CALCULATION OF SCORE:**

| | Basic | Advanced | Low-carbon aligned | |
|---|---|---|---|---|
| **Associated score** | 0% | 50% | 100% | **Weighting** |
| **Commitments** | The company has no commitment on a defined timescale | The company has taken commitments but there is no clear timescale for implementation<br>OR<br>A timescale for the implementation of the intervention is mentioned but there is no clear quantitative target | The company's strategy for pre-consumer waste reduction includes both a clear quantitative target and an implementation timescale | 33% |
| **Methods** | There is no defined strategy regarding pre-consumer waste reduction | The company has identified levers to reduce pre-consumer waste* | The company has identified levers to reduce pre-consumer waste AND<br>The strategy includes next practice actions, and there is an organizational learning process in place to continuously improve the strategy after interim evaluation or result | 33% |
| **Monitoring** | There is no clear monitoring approach in place | There are quantification and/or monitoring systems in place to track progress | The company quantifies the value of production losses through the monitoring of outside margins to integrate the economic impact of losses | 33% |

* Levers to reduce pre-consumer waste include technical advances allowing the reduction of losses in production during the manufacturing stage, and valorization of losses in production (e.g. recycling).

## FA 2.3 PRE-CONSUMER WASTE REDUCTION

### RATIONALE OF THE INDICATOR

#### RELEVANCE OF THE INDICATOR:

This method aims to assess the manufacturing dimension of a low-carbon transition. The main levers for players involved in the manufacturing step are energy consumption reduction (assessed in indicators 2.1 and 2.2 of the Direct operations module). In addition, the objective of this indicator is to measure the company's "interventions" on the production stage and is focused on pre-consumer waste reduction. Indeed, the reduction of pre-consumer waste is a critical lever during the manufacturing step of Fashion products as it is estimated that between 20 and 30% of textile waste is generated when cutting the pieces for each garment [15].

# MODULE 3: IMDIRECT OPERATIONS (WEIGHTING: 0%)

- **RATIONALE FOR NOT HAVING SUCH MODULE/INDICATOR IN ACT FASHION**

Module 3, “Imdirect operations”, assesses the company’s investments in intangible assets such as research and development (R&D), low-carbon and mitigation technologies, training and patent development. Companies in many sectors state that the development of new technologies is essential for them to transition, and these indicators give an indication of the level of commitment to new technologies and work practices.

However, this module does not seem relevant for the Fashion sector as the actions evaluated are assessed in other modules of the methodology.

- Indeed, suppliers/manufacturers’ R&D efforts are mostly directed towards scope 1 and 2 emissions reduction, which is already assessed in Module 2 – Direct operations and are relying more on existing technologies than in innovation technologies that would support the industry decarbonisation roadmap.
- For brands, R&D investments are mostly directed towards eco-design or durability which are already considered in Module 4 – Indirect operations and in Module 9.
- In addition, this module has been tested during the road test of ACT Fashion’s methodology and it has brought to light the fact that Fashion companies do not have a harmonized way of accounting for R&D expenditures which make it hard to include it in the qualitative assessment. Fashion companies assessed under ACT Fashion will thus not be evaluated on Module 3 – Imdirect operations.

# MODULE 4: SOLD PRODUCT PERFORMANCE (WEIGHTING: 7 – 30%)

Module 4, “Indirect operations”, assesses action to reduce emissions from the company’s value chain, contributing to the overall decarbonisation of its products and/or services. Most sectors are assessed on trends in past and forecast future emissions from the products they produce and sell.

## • FA 4.1 TREND IN PAST SCOPE 3 EMISSIONS (WEIGHTING: 5 – 10%)

### DESCRIPTION & REQUIREMENTS

#### FA 4.1 TREND IN PAST EMISSIONS FOR SOLD PRODUCTS

#### SHORT DESCRIPTION OF INDICATOR

A measure of the alignment of the past trend of the company’s scope 3 emissions with the low-carbon benchmark pathway. The indicator will compare the gradient of this trend over a 5-year period to the reporting year (reporting year minus 5 years) with the low-carbon benchmark pathway trend over a 5-year period after the reporting year.

#### DATA REQUIREMENTS

The relevant data for this indicator are:

- Scope 3 absolute emissions at reporting year (RY) and reporting year minus five years (RY-5)
- Methodology documents on scope 3 emissions calculation (e.g. emission factors used, breakdown by scope 3 categories at RY and RY-5, volumes of products sold at RY and RY-5)

CDP Questionnaire 2023 mapping to this indicator:

- C6.5
- C6.5a

External sources of data used for the analysis of this indicator are:

- Absolute Contraction Approach (ACA) scenario developed by SBTi [17]

The benchmark indicator involved is the following:

| Source of emissions | Subparameter | Metric | Benchmark |
|---|---|---|---|
| Total scope 3 emissions | S12.T | % of absolute emissions | SBT Absolute contraction [17] |

## HOW THE ASSESSMENT WILL BE DONE

This indicator assesses trends in absolute scope 3 emissions (excluding use phase emissions). Emissions are normalized and cannot necessarily ensure absolute emissions reduction. If the company assessed only provides emissions intensity data, without converting in absolute emissions, its scoring on the indicator shall be 0%.

The analysis has two dimensions:

- An assessment of the trend in scope 3 emissions over the past years
- An assessment of the quality of the provided data and methodology

### DIMENSION 1 – TREND IN SCOPE 3 EMISSIONS (80%):

The analysis is based on the comparison between the company's scope 3 recent (RY-5) emissions trend gradient and the company's scope 3 decarbonisation pathway trend gradient in the short-term (RY+5).

This dimension uses the same computation as indicator *2.1 - Trend in past scope 1 and 2 emissions from direct operations,* dimension 1. Please note that the scope for the assessment of this indicator differs from indicator 2.1 as scope 3 emissions (excluding use phase, see rationale in section 4. Boundaries) are assessed in this indicator.

If scope 3 emissions are not available at reporting year minus five years:

- If scope 3 emissions are available at reporting year minus three years or more, the assessor shall perform a linear regression on the available data to approximate the company's emissions at reporting year minus five years ;

- If scope 3 emissions are not available before reporting year minus two years, the company scores 0% on this dimension.

### DIMENSION 2 – DATA QUALITY (20%):

The assessor will assess the quality of the data and methodology provided by the company. The assessment will assign a maturity score based on the company's data quality, expressed in a maturity matrix with three main components:

- Data existence at RY-5
- Methodology

| Evaluation level | Basic | Advanced | Low-carbon aligned | Subscore |
|---|---|---|---|---|
| ***Score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***Data existence at RY-5*** | No scope 3 data available at reporting year minus five years | | Scope 3 data available at reporting year minus five years | ***50%*** |
| ***Robustness of the methodology*** | The methodology used for scope 3 emissions calculation is not disclosed nor checked by a third party | The methodology used for scope 3 emissions calculation is disclosed or checked by a third party<br>AND<br>The methodology used relies on generic emission factors | The methodology used for scope 3 emissions calculation is disclosed or checked by a third party<br>AND<br>The methodology used is robust* | ***50%*** |

* Robust practices include specific emissions factor calculation and important granularity of the data provided (e.g. scope 3 emissions per product category at reporting year and reporting year minus five years, volumes of products sold per product category at reporting year and reporting year minus five years, breakdown by categories at reporting year minus five years).

### AGGREGATE SCORE: DIMENSION 1: 80%, DIMENSION 2: 20%

**RATIONALE**

### FA 4.1 TREND IN PAST EMISSIONS FOR SOLD PRODUCTS

**RATIONALE OF THE INDICATOR**

#### RELEVANCE OF THE INDICATOR:

Trend in past emissions is included in this ACT methodology for the following reasons:

- The trend shows the speed at which the company has been reducing its scope 3 emissions over the recent past. Comparing this to the future low-carbon transition pathway gives an indication of the scale of the change that needs to be made within the company to bring it onto a low-carbon pathway.
- While ACT aims to be future-oriented, it nevertheless does not want to rely solely on projections of the future, in a way that would make the analysis too vulnerable to the uncertainty of those projections. Therefore, this measure, along with projected emissions and absolute emissions, forms part of a holistic view of company emissions performance in the past, present, and future.

#### SCORING RATIONALE:

**Dimension 1:** While 'gap' type scoring is preferred where possible for any indicator, this indicator only looks at past emissions and would therefore require a different baseline in order to generate a gap analysis. Thus, instead of a gap analysis, a trend analysis is conducted to compare current data of the company to the past data and improvements that have been made since the past data. An advantage of this trend analysis is that trends can be compared directly and a score can be directly correlated to the resulting ratio.

**Dimension 2:** The quality of the data is also to be considered in this indicator. Indeed, because a linear regression can be performed in case scope 3 emissions are not available at reporting year minus five years, dimension 1 does not allow the discrimination of companies that did not calculate their scope 3 emissions in the past compared to those which did. In addition, dimension 2 aims to assess the robustness used for scope 3 emissions calculation.

Trends in absolute scope 3 emissions are considered under this indicator. Indeed, trends in emission intensity are not relevant as the emissions are normalized which cannot ensure a reduction in absolute emissions (a reduction of the intensity per sold product could result in an increase in absolute emissions if the sold volumes increase over the considered period). Therefore, if the company assessed only provides intensity data, its scoring on the indicator will be 0%.

- **FA 4.2 PRODUCT-SPECIFIC INTERVENTIONS – RAW MATERIALS (WEIGHTING: 0 – 10%)**

**DESCRIPTION & REQUIREMENTS**

## FA 4.2 PRODUCT / SERVICE-SPECIFIC INTERVENTIONS – RAW MATERIALS

**SHORT DESCRIPTION OF INDICATOR**

An analysis of the company's reporting of mature interventions to reduce GHG emissions for each raw material considered as being high GHG impact.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Interventions on products reporting tool

CDP Questionnaire 2023 mapping to this indicator:

- C12.1

**HOW THE ASSESSMENT WILL BE DONE**

### CALCULATION OF SCORE:

To be ready for the transition to a low-carbon economy, companies need to plan and carry out "interventions" within the value chain in order to exercise their market position and influence to reduce GHG emissions. This indicator aims to focus on the actions regarding raw materials extraction and production as it is one of the main sources of emissions in the Fashion value chain.

Thus, the analysis has two dimensions:

- An assessment of the traceability system implemented by the company.
- An assessment of the interventions undertaken by the company to significantly reduce emissions for each raw materials category.

#### DIMENSION 1 – ASSESSMENT OF THE TRACEABILITY SYSTEM (25%):

The assessor will assess the current practices in terms of traceability system implemented by the company to ensure that sufficient and relevant data are collected and that the company can take relevant action regarding its raw material procurement.

The assessment will assign a maturity score based on the company's traceability system, expressed in a maturity matrix with three main components:

- Scope of the raw materials traceability system
- Content of the raw materials traceability system
- Monitoring and verification regarding raw materials traceability system.

| Evaluation level | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Subscore |
|---|---|---|---|---|---|---|
| ***Score*** | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***Scope of the raw materials traceability system*** | No raw materials traceability system is implemented | Traceability is considered in a pilot phase covering one or few raw materials categories | The traceability system is implemented on a significant share of raw materials categories (highest emission categories) | The traceability system is fully implemented covering all raw materials categories | The traceability system is fully implemented, covering all raw materials categories and traces back from Tier 1[§] to fiber production | ***33%*** |
| ***Content of the raw materials traceability system implemented by the company*** | No raw materials traceability system is implemented | The company has implemented a raw materials traceability system<br>The methodology used to ensure traceability is disclosed or checked by a third party | The company has implemented a raw materials traceability system<br>The methodology used to ensure traceability is disclosed or checked by a third party<br>AND<br>The traceability system allows the company to collect GHG data* | The company has implemented a raw materials traceability system<br>The methodology used to ensure traceability is disclosed or checked by a third party<br>AND<br>The traceability system allows the company to collect GHG data* verified by a third party | The company has implemented a raw materials traceability system<br>The methodology used to ensure traceability is disclosed or checked by a third party<br>AND<br>The traceability system allows the company to collect GHG data* verified by a third party and with the decarbonisation plans from the different suppliers in the value chain | ***33%*** |

| | | | | | | |
|---|---|---|---|---|---|---|
| ***Monitoring and verification systems implemented by the company*** | No monitoring system implemented | | The process to monitor and check the data consistency and robustness collected in the raw materials traceability system is mainly qualitative and performed manually. | | The process to monitor and check the data consistency and robustness collected in the raw materials traceability system is mainly quantitative and automated. | ***33%*** |

* or primary data that can be converted into GHG data (e.g. energy consumption).

§ Tier 1 manufacturing suppliers are those having a direct relationship with the company. For instance, for a brand, the tier one suppliers can be cut make trim facilities.

#### DIMENSION 2 – SPECIFIC INTERVENTION (75%):

For each raw material categories, the company identifies all the interventions that determine the most ambitious impacts achievable and highlights the GHG hotspots for the company in accordance with best practices.

The assessor compares the interventions reported by the company with the benchmark and against other interventions reported by other reporting companies, whereby the assessor assigns a 'maturity scoring' to the reported interventions. Several interventions are combined to assign a score to each raw material categories based on the following criteria:

**Maturity and deployment schedule**

This assesses how mature the intervention is and the intended deployment schedule as well as other elements that can ensure its success like clear goals and measures of success, use of supporting technology, use of certification and verification.

**Extent or size of the interventions**

Whether the intervention is large or small in scale affects its overall level of impact on GHG emissions. Large-scale interventions receive more points (e.g. significant interventions covering a high percentage of a product/service category).

**Carbon mitigation potential**

Only interventions that are verifiable and significantly reduce GHG emissions shall receive a non-zero score. Verification is not expected, but a methodology must be in place to reliably assess or measure the GHG emissions reduction, which could be verified by a third party. The greater the GHG reduction resulting from the intervention, the higher the carbon mitigation potential.

Companies will be assessed on the raw materials categories covering at least 70% of total raw materials emissions. Then, the company will report its specific interventions for each raw materials category. Score obtained for each raw material category is then aggregated into a numerical value. The assessor assigns a scoring to all interventions reported. This exercise can make future analyses more robust, as better understanding is developed of how the sector is undertaking activities to reduce emissions in the value chain.

| Evaluation level | Basic | Advanced | Low-carbon practice | Subscore |
|---|---|---|---|---|
| ***Score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***Maturity and deployment schedule*** | The maturity of the interventions is not estimated or low and/or the deployment is not scheduled | The interventions are not fully mature yet and/or their deployment is scheduled with a 2-year horizon or less | The interventions are mature and/or already deployed | ***33%*** |
| ***Extent or size of the interventions*** | Intervention involves products that together represent a marginal share (<40%) of the raw material category. | Intervention involves products that together represent a significant share (40%-80%) of the sold product/service emissions in the category. | Intervention involves products that together represent the major share (>80%) of the sold product/service emissions in the category. | ***33%*** |
| ***Carbon mitigation potential*** | Not significant (<20% emissions reduction) or not verifiable | Significant (20%-60% emissions reduction) and verifiable | Drastic (>60% emissions reduction) and verifiable | ***33%*** |

### AGGREGATE SCORE: DIMENSION 1: 25%, DIMENSION 2: 75%

### AGGREGATION OF SCORES

The assessor assigns a scoring to each raw material category (aggregation of all interventions). The scorings for the product categories reported on (covering at least 70% of total raw materials emissions) are then aggregated into a numerical value, using the share of covered emissions.

RATIONALE

## FA 4.2 PRODUCT/SERVICE-SPECIFIC INTERVENTIONS – RAW MATERIALS

## RATIONALE OF THE INDICATOR

This method aims to assess all raw materials procurement dimensions of a low-carbon transition. Thus, the objective of this indicator is to measure the company's "interventions" on the global raw materials traceability system implemented by the company and the specific actions taken to reduce the GHG emissions of each purchased raw materials category.

While other sectors in the ACT Initiative have activity-specific indicators (e.g. generation emissions for electric utilities, fleet emissions for car companies) that can account for the majority of their total emissions, this is not necessarily the case for the Fashion industry, where emissions sources are scattered across the value chain. However, raw materials extraction and production is one of the main sources of emissions and this indicator aims to focus on two specific dimensions:

- Dimension 1 – Traceability: It is commonly understood that this information is scarce among companies, which operate in many different sectors and often have a large number of different tiers in their supply chains. However, in order to collect relevant information (e.g. specific emission factors) and understand where the company needs to focus (raw material categories, procurement regions, suppliers…), a robust traceability system is needed.
- Dimension 2 – Specific interventions: Once the company has identified the main raw materials categories in terms of GHG emissions, actions are needed. The assessment aims to identify the intervention implemented by the company to reduce the raw material impact. Decarbonisation levers might differ from one raw material used in the industry to another and that is why the company is asked to provide interventions for all significant raw materials categories. If an intervention is common to all raw materials categories, company should report it as such.

As action is crucial in the decarbonisation and rewarded in ACT, the weighting of dimension 2 (75%) is higher than dimension 1 (25%).

**Rationale on measuring GHG reductions:**

A key issue with the interventions approach is that if interventions have no measurable impact on GHG emissions, they are effectively assimilated to "greenwashing". However, we recognise that, when attempting to influence GHG emissions outside of direct operations, measurement may be difficult. It could be technically feasible yet impractical because of time or cost considerations. GHG emissions reductions may also not occur immediately, or methodological approaches for measurement may be lacking. Barriers to measurement should not be barriers to action, therefore the analysis will consider interventions where the GHG emissions mitigation has not been measured. Nonetheless, companies should describe the rationale for emissions reduction connected to the intervention so that it is clear this potential exists.

The reporting should also include, where possible, enough detail on mitigation potential, and the scale of impact expected, to distinguish between interventions that could be considered tokenism or greenwash and those with a material, positive climate change mitigation impact.

## • FA 4.3 PRODUCT-SPECIFIC INTERVENTIONS - DURABILITY (WEIGHTING: 2 – 5%)

**DESCRIPTION & REQUIREMENTS**

**FA 4.3 PRODUCT-SPECIFIC INTERVENTIONS - DURABILITY**

**SHORT DESCRIPTION OF INDICATOR**

An analysis of the company's reporting of mature interventions to improve durability (use of sold products and end-of-life) for its products and in each domain of durability (intrinsic, extrinsic and repairability potential) relevant to the company.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Interventions on products related to durability improvements

**HOW THE ASSESSMENT WILL BE DONE**

**CALCULATION OF SCORE:**

To be ready for the transition to a low-carbon economy, companies need to plan and carry out "interventions" within the value chain in order to exercise their market position and influence to reduce GHG emissions.

For each durability criteria (intrinsic, extrinsic and repairability potential), the company identifies interventions that determine the most ambitious actions that could improve the durability of its products in accordance with best practices.

- Intrinsic (or physical) durability refers to the quality of the products, materials and parts, and their ability to resist in time without showing signs of physical wear and tear that would compromise their original function or aesthetics.
- Extrinsic (or non-physical) durability is defined by the product's ability to maintain its desirability and use over time, either by adapting to the user's needs, or by maintaining its emotional value and attachment.
- The repairability potential is a combination of the physical ability of a product to be repaired, the existence and quality of repair services, and user incentives to repair (e.g. price incentives).

The assessor compares the interventions reported by the company against other interventions reported by other reporting companies and sectoral best practices, whereby the assessor assigns a 'maturity scoring' to the reported interventions. Several measures are combined to assign a score to the intervention.

Actions eligible for durability improvement on products include:

- For intrinsic durability: implementation of a continuous quality monitoring tool, quality tests, internal or external methodology for assessing the durability of sold products (e.g. through scoring), traceability measures, supplier audit, control of raw material quality (e.g. increase the share of certified/labelled materials).
- For extrinsic durability: offering timeless products/collections, encouraging customers to give products a second life, implementing circular economy models (second-hand, rental, subscription), favoring an emotional attachment to products (e.g. through customized or on-demand products), raising awareness among customers to responsible consumption.
- For repairability potential: implementation of a warranty system for sold products, offering repair services (in-house or external repair centers), communication of maintenance advice to customers, raising awareness of repairability amongst customers.

Other actions than the ones listed above may be eligible, if judged relevant (significant in terms of durability improvement) by the assessors.

Several measures are combined to assign a score to the intervention. These measures are:

- Maturity and deployment schedule**:** This assesses how mature the intervention is and the intended deployment schedule as well as other elements that can ensure its success like clear goals and measures of success, use of supporting technology, use of certification and verification.
- Durability potential**:** Only interventions that are verifiable and significantly improve durability shall receive a non-zero score. It is not expected that a verification be performed, however a methodology must be in place to reliably assess or measure the durability improvement, which could be verified by a third party.
- Significance and extent of the intervention**:** Whether the intervention is large or small in scale affects its overall level of impact on durability, i.e. the interventions covering an important share of products receive more points.

The assessor assigns a scoring to the three dimensions of durability according to the company's advancement on the topic. This exercise can make future analyses more robust, as better understanding is developed of how the sector is undertaking activities to reduce emissions in the value chain.

| Evaluation level | Basic | Advanced | Low-carbon practice | |
|---|---|---|---|---|

| Score | 0% | 50% | 100% | Weightings |
|---|---|---|---|---|
| ***Maturity and deployment schedule*** | The maturity of the interventions is not estimated or low and/or the deployment is not scheduled | The interventions are not fully mature yet and/or their deployment is scheduled with a 2-year horizon or less | The interventions are mature and/or already deployed | ***33%*** |
| ***Durability potential*** | Not significant or not verifiable | Significant and verifiable | Drastic and verifiable | ***33%*** |
| ***Extent or size of the intervention*** | Intervention involves products that together represent a marginal share (< 40%) of the sold product emissions in the category. | Intervention involves products that together represent a significant share (40%-80%) of the sold product emissions in the category. | Intervention involves products that together represent the major share (>80%) of the sold product emissions in the category. | ***33%*** |

### AGGREGATION OF SCORES:

The assessor assigns a scoring to the three dimensions of durability (intrinsic durability, extrinsic durability and repairability potential). The final score is the weighted average of the three scores. As the different players considered in the scope of ACT Fashion have different durability levers, the weightings to calculate the final scoring differ according to the type of player as follows:

| Type of company | Intrinsic durability | | Repairability | | Extrinsic durability | |
|---|---|---|---|---|---|---|
| | Measure quality and identify physical end of life causes of materials, components and products | Improve the robustness of materials, components and products | Encourage consumers to repair and take care of their products | Provide repair conditions | Maximise products' use | Strengthen products' perceived value |
| ***Suppliers/Manufacturers (finished products and contract manufacturing)*** | **80%** | | **20%** | | **0%** | |
| ***Brands (Integrated and Non-Integrated)*** | **40%** | | **20%** | | **40%** | |
| ***Pure retailers*** | **30%** | | **40%** | | **30%** | |

**RATIONALE OF THE INDICATOR**

This indicator aims to assess and measure the interventions implemented by Fashion companies to improve the durability of their products.

According to PEF, improving the durability of Fashion products is key to increase their lifespan and thus improve their environmental impacts [7]. It is one of the main levers to reduce overconsumption and reduce the overall impact of the sector. It is also one way to tackle the use of sold product and end of life emissions in ACT Fashion methodology.

Moreover, while other sectors in the ACT Initiative have activity-specific indicators (e.g. generation emissions for electric utilities, fleet emissions for car companies) that can account for the majority of their total emissions, this is not the case here, where emissions sources are scattered across the value chain and have different points of origin. To address all emissions, different types of actions are necessary to address different types of emissions sources (end of life, use of sold products).

## • FA 4.4 OUTBOUND TRANSPORTATION EMISSIONS PERFORMANCE (WEIGHTING: 1,5 – 3%)

**DESCRIPTION & REQUIREMENTS**

### FA 4.4 OUTBOUND TRANSPORTATION EMISSIONS PERFORMANCE

**SHORT DESCRIPTION OF INDICATOR**

The purpose of this indicator is to analyse the strategy and implemented actions to reduce GHG emissions due to inbound/outbound transportation (including internal transportation).

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Details on GHG emissions reporting from transportation companies
- Details on targets
- Details on strategy and implemented actions to reduce these indirect GHG emissions

CDP Questionnaire 2023 mapping to this indicator:

- C4.3b (emissions reduction initiatives, including transportation)
- C12.1 & C12.1a (implemented actions to reduce emissions from outsourced activities)

**HOW THE ASSESSMENT WILL BE DONE**

The analysis is based on a maturity matrix. The indicator assesses how robust the reporting of GHG emissions from transportation companies is, if the company has defined a specific GHG emissions reduction target or included it in a global GHG emissions reduction target, and the past and present actions that the company has implemented to reduce these emissions.

| Evaluation level | Basic | Advanced | Low-carbon practice | Weighting |
|---|---|---|---|---|
| ***Score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***GHG emissions reporting***<br>*Is the company able to determine with a high certainty GHG emissions due to outsourced inbound/outbound transport related to Fashion activities? (reporting year)* | The company requires and obtains from less than 50% of its transportation subcontractors a precise GHG emissions reporting linked to its Fashion activities on the reporting year. | The company requires and obtains from at least 50% of its transportation subcontractors a precise GHG emissions reporting linked to its Fashion activities on the reporting year. | Robust and third-part certified GHG emissions data on 100% of subcontracted activity on the reporting year. | ***20 %*** |
| ***Past and present actions to reduce GHG emissions***<br>*What actions is the company currently implementing, or has it implemented in the last five years, to lower the GHG emissions due to outsourced transportation? (list of actions described below ***)* | No action has been implemented. | 3 to 4 actions at most have been implemented in the last 5 years or planned for this year. | 6 actions at least have been implemented in the last 5 years or planned for this year. | ***60 %*** |
| ***Targets***<br>*Does the company include transportation in another global GHG emissions reduction target (like scope 3) or has it defined a specific one for transportation?* | Transportation is not included in the scope of a GHG emissions reduction target. | GHG emissions due to inbound/outbound transportation are included in the scope of a global GHG emissions reduction target. | A specific target has been defined regarding GHG emissions due to inbound/outbound transportation as well as other specific and ambitious targets on transportation. | ***20 %*** |

Actions eligible for GHG emissions reduction on material are:

- Use/purchase of low-carbon vehicles (using 100% electricity supplied by rather a low-carbon source, using low-carbon hydrogen, using Bio-NGV, or using sustainable biofuels)
- Fuel efficiency devices
- Preventive maintenance
- Speed limitation devices
- Predictive cruise control devices
- Real-time fuel economy monitors (linked to driving methods)
- Tire pressure monitoring systems o Low rolling resistance tires

Other actions than the ones listed above may be eligible, if judged relevant (significant climate impact) by the assessors.

For each action reported, the company shall provide:

- The type of action
- A short description of the action (goals, the implementation process, the monitoring of the action)

† Actions eligible for GHG emissions reduction on operations (only trucks and utility vehicles) are:

- Eco-driving (above 50% of the drivers have received a specific training)
- Routing optimization
- Load factor optimization
- Reduction of empty runs
- Improve backhauling
- Speed regulation with Intelligent Speed Adaptation
- Platooning
- Co-loading

Other actions than the ones listed above may be eligible, if judged relevant (significant climate impact) by the assessors.

**RATIONALE**

## FA 4.4 OUTBOUND TRANSPORTATION EMISSIONS PERFORMANCE

**RATIONALE OF THE INDICATOR**

**RELEVANCE OF THE INDICATOR**

Transportation activity represents a significant GHG emissions source for companies in the Fashion sector (up to 10% of the total GHG emissions along the value chain). The indicator aims at evaluating three key aspects of a GHG emissions reduction strategy: GHG emissions measurement, target definition, implementation of actions. It looks at both the past and the present and considers outsourced transportation that is performed by transportation companies.

**SCORING RATIONALE**

A higher weighting on the topics related to strategy and implemented actions regarding measurement and targets has been given as they are key for the low-carbon transition.

## • FA 4.5 UNSOLD ITEM QUANTITY REDUCTION (WEIGHTING: 0 – 2%)

**DESCRIPTION & REQUIREMENTS**

**FA 4.5 UNSOLD ITEM QUANTITY REDUCTION**

**SHORT DESCRIPTION OF INDICATOR**

This indicator aims to assess the efforts towards unsold item quantity reduction. The reduction of unsold item volumes is a critical lever for Fashion companies having retail activities (i.e. integrated brands, non-integrated brands and pure retailers).

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Documents/reports related to unsold item quantity reduction (interventions and targets)

CDP Questionnaire 2023 mapping to this indicator:

- C4.1c

**HOW THE ASSESSMENT WILL BE DONE**

To be ready for the transition to a low-carbon economy, companies need to plan and carry out “interventions” within the value chain in order to exercise their market position and influence to reduce GHG emissions. As this indicator focuses on the retail step of the Fashion value chain, it will be evaluated for Retailers (integrated and non-integrated Fashion brands as well as pure retailers). The weight for this indicator is set to 0% for Suppliers/Manufacturers that do not have retail business activities.

The company lists the interventions that could reduce the quantities of unsold items and avoid destruction as well as the potential commitments it has taken in this field.

Actions eligible for unsold item quantity reduction include clearance and reuse of excess stock (internal and external discounting, use of second-hand channels, upcycling, donation, debranding) and demand forecasting. Other actions may be eligible, if judged relevant by the assessor.

The assessment will assign a maturity score based on the company's reported interventions and targets, expressed in a maturity matrix with three main components:

- Commitments of the company related to unsold item quantity reduction
- Methods used to reduce unsold item volumes
- Monitoring and verification regarding unsold item quantity.

### CALCULATION OF SCORE:

| | Basic | Advanced | Low-carbon aligned | |
|---|---|---|---|---|
| **Associated score** | 0% | 50% | 100% | **Weighting** |
| **Commitments** | The company has no commitment on a defined timescale | The company has taken commitments but there is no clear timescale for implementation<br>OR<br>A timescale for the implementation of the intervention is mentioned but there is no clear quantitative target | The company's strategy for unsold item quantity reduction includes both a clear quantitative target and an implementation timescale | 33% |
| **Methods** | There is no defined strategy regarding unsold item quantity reduction<br>OR | The company has identified levers to reduce unsold item quantity* | The company has identified levers to reduce unsold item quantity<br>AND | 33% |

| | | | | |
|---|---|---|---|---|
| | The unsold items are destructed | | The strategy includes next practice actions, and there is an organizational learning process in place to continuously improve the strategy after interim evaluation or result | |
| **Monitoring** | There is no clear monitoring approach in place | There are quantification and/or monitoring systems in place to track progress | The company quantifies the value of unsold items through the monitoring of outside margins to integrate the economic impact of unsold items | 33% |

* Levers to reduce pre-consumer waste include clearance and reuse of excess stock (discounting, second-hand, upcycling, donation, debranding) and demand forecasting. The purpose of such measure is to avoid destruction at all costs.

**RATIONALE**

### FA 4.5 UNSOLD ITEM QUANTITY REDUCTION

**RATIONALE OF THE INDICATOR**

#### RELEVANCE OF THE INDICATOR:

This method aims to assess the retail dimension of a low-carbon transition. The objective of this indicator is to measure the company's “interventions” on the retail step of the Fashion value chain and is focused on the fate of unsold items as it is a critical stake for Retailers.

# MODULE 5: MANAGEMENT (WEIGHTING: 10%)

Module 5, “Governance”, assesses whether the company has the expertise, strategy, incentives (both linked to climate change management and objectives linked to fossil fuels use) and plans in place to manage its low-carbon transition. It assesses the quality of the transition plan and the scenario analysis used to develop it.

## • FA 5.1 OVERSIGHT OF CLIMATE CHANGE ISSUES (WEIGHTING: 2%)

| DESCRIPTION & REQUIREMENTS | FA 5.1 OVERSIGHT OF CLIMATE CHANGE ISSUES |
|---|---|
| SHORT DESCRIPTION OF INDICATOR | The company discloses that responsibility for climate change mitigation within the company lies at the highest level of decision-making within the company structure. |
| DATA REQUIREMENTS | The relevant data for this indicator are:<br>♦ Environmental policy and details regarding governance<br>♦ The reporter shall provide details on where the highest level of direct responsibility for climate change within is the organization<br>CDP Questionnaire 2023 mapping to this indicator:<br>♦ C1.1<br>♦ C1.1a<br>♦ C1.2<br>External sources of data may also be used for the analysis of this indicator. |
| HOW THE ASSESSMENT WILL BE DONE | The benchmark case is that climate change is managed within the highest decision-making structure within the company.<br>The position at which climate change is managed within the company structure is determined from the company data submission and accompanying evidence. For small companies, or for cases in which the corporate structure does not match the structure of the maturity matrix, the assessor should assign a score based on the company’s specific hierarchy (i.e., if responsibility for climate change mitigation lies at the highest level of decision- |

making within the organization, award “Low-carbon aligned”. If responsibility lies one level below the highest level, award “Next practice”, etc.). The maturity matrix used for the assessment is the following:

| Question | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What is the position of the employee/ committee with highest responsibility for climate change mitigation issues?*** | No one in charge of climate change issues | Level 4 (see guidance)* | Level 3 (see guidance)* | Level 2 (see guidance)* | Level 1 (see guidance)* | ***100%*** |

* Further guidance for each level of seniority is given below:
    - Level 1
        - Highest level of accountability or decision-making within the organization, with responsibility for overall organizational or corporate strategic direction.
        - Examples: Board, sub-set of the Board, Chief Executive Officer (CEO)
    - Level 2
        - Person/committee that is one step down the corporate structure from the highest level of decision-making (i.e. reports to or is accountable to Level 1). Inputs into organizational strategy but does not make decisions on it. May have responsibility and accountability for business unit strategy formation and implementation of one or more business units.
        - Examples: Vice President, Director, other C-Suite officer (e.g., Chief Financial Officer (CFO), Chief Procurement Officer (CPO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Sustainability Officer (CSO), etc.), other committee appointed by the Board
    - Level 3
        - Person/committee that is two steps down the corporate structure from the highest level of decision-making. May have responsibility and accountability for business unit strategy formation and implementation for one business unit.

        - Examples: Manager, Senior Manager
    - Level 4
        - Person/committee that is three or more steps down the corporate structure from the highest level of decision-making. No responsibility or accountability for business unit strategy development.
        - Examples: Officer, Senior Officer

**RATIONALE**

**FA 5.1 OVERSIGHT OF CLIMATE CHANGE ISSUES**

**RATIONALE OF THE INDICATOR**

Successful change within companies, such as the transition to a low-carbon economy, requires strategic oversight and buy-in from the highest levels of decision-making within the company. Evidence of how climate change is addressed within the top decision-making structures is a proxy for how seriously the company takes climate change, and how well integrated it is at a strategic level. High-level ownership also increases the likelihood of effective action to address low-carbon transition.

Changes in strategic direction are necessarily future-oriented, which fits with this principle of the ACT initiative.

Managing oversight of climate change is considered as a good practice.

## • FA 5.2 CLIMATE CHANGE OVERSIGHT CAPABILITY (WEIGHTING: 1%)

**DESCRIPTION & REQUIREMENTS**

**FA 5.2 CLIMATE CHANGE OVERSIGHT CAPABILITY**

**SHORT DESCRIPTION OF INDICATOR**

Company board or executive management has expertise on the science and economics of climate change, including an understanding of policy, technology and consumption drivers that can disrupt current business. This expertise is used by the individual or committee to inform high-level decision-making within the company.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Environmental policy and details regarding governance

- The reporter shall identify the position of the individual or name of the committee with this responsibility and outline their expertise regarding climate change and the low-carbon transition

CDP Questionnaire 2023 mapping to this indicator:

- C1.1
- C1.1a
- C1.1d
- C1.2

External sources of data may also be used for the analysis of this indicator.

**HOW THE ASSESSMENT WILL BE DONE**

The presence of expertise on topics relevant to climate change and the low-carbon transition at the level of the individual or committee with overall responsibility for it within the company is assessed. The presence of expertise is the condition that must be fulfilled for points to be awarded in the scoring.

The assessor determines if the company has expertise as evidenced through a named expert biography outlining capabilities. A cross check is performed against 5.1 on the highest responsibility for climate change, the expertise should exist at the level identified. To be awarded Low-carbon aligned, the company must provide examples of how the individual or committee's expertise has informed strategic investment planning and/or decision-making processes.

The maturity matrix used for the assessment is the following:

| Question | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***Does the individual or committee with oversight of climate change issues (as reported in indicator 5.1) have relevant climate change- and low-carbon*** | The employee/committee does not meet any of the characteristics of climate change- and low-carbon transition-related expertise*. | The employee/committee meets 1 of the characteristics of climate change- and low-carbon transition-related expertise*. | The employee/committee meets 2 of the characteristics of climate change- and low-carbon transition-related expertise*. | The employee/committee meets 3 or more of the characteristics of climate change- and low-carbon transition-related expertise*. | The employee/committee meets 3 or more of the characteristics of climate change- and low-carbon transition-related expertise*. | ***100%*** |

| | | | | | | |
|---|---|---|---|---|---|---|
| ***transition-related expertise*?*** | | | | | Expertise systematically informs strategic investment planning/decision-making processes. | |

* "Characteristics of climate change- and low-carbon transition-related expertise" include:
    - Academic/professional qualification related to climate change and the low-carbon transition, including an understanding of the impacts and risks, and the solutions to implement (e.g., Bachelors, Masters, Doctorate, professional certification, diploma, etc.)
        - A purely energy-related background with no relationship to climate change and the low-carbon transition is not enough to qualify as expertise.
    - Recent (i.e., within last 10 years) professional experience related to climate change and the low-carbon transition (e.g., previous employment in climate change/low-carbon transition-related role, or with a climate change/low-carbon transition-related organisation, etc.)
    - Recent (i.e., within last 10 years)/active membership of organisation(s) driving corporate knowledge and action on climate change and the low-carbon transition (e.g., World Business Council For Sustainable Development, Solar Energy Industry Association, etc.)
    - Technical knowledge related to climate change and the low-carbon transition, evidenced through recently (i.e., within last 10 years) published outputs written by the individual/committee (e.g., statements, reports, etc.)

**RATIONALE**

## FA 5.2 CLIMATE CHANGE OVERSIGHT CAPABILITY

**RATIONALE OF THE INDICATOR**

Effective management of the low-carbon transition requires specific expertise related to climate change and its impacts, and their likely direct and indirect effects on the business. Presence of this capability within or closely related to the decision-making bodies that will implement low-carbon transition both indicates company commitment to that transition and increases the chances of success.

Even if companies are managing climate change at the Board level or equivalent level, a lack of expertise could be a barrier to successful management of low-carbon transition.

## • FA 5.3 LOW-CARBON TRANSITION PLAN (WEIGHTING: 3%)

| DESCRIPTION & REQUIREMENTS | FA 5.3 LOW-CARBON TRANSITION PLAN |
|---|---|
| SHORT DESCRIPTION OF INDICATOR | The company has a plan on how to transition the company to a business model compatible with a low-carbon economy. |
| DATA REQUIREMENTS | The relevant data for this indicator are:<br>♦ Environmental policy and details regarding governance<br>♦ The reporter should provide the following description of the transition plan including the following details:<br>♦ Whether the transition plan exists in a documented form and whether that document is public<br>♦ How the results of scenario testing influenced the transition plan<br>♦ Timescale for implementation of the transition plan<br>♦ Who has responsibility for its implementation (at the strategic, not operational, level)<br>♦ How successful implementation of the plan will be measured and monitored. (Should include details of any linked targets, emissions reduction or energy efficiency targets, or KPIs.)<br>CDP Questionnaire 2023 mapping to this indicator:<br>♦ C3.1<br>♦ C3.3<br>♦ C3.4 |
| HOW THE ASSESSMENT WILL BE DONE | From the 2021 CDP Transition Plans discussion paper: “A climate transition plan is a time-bound action plan that clearly outlines how an organization will achieve its strategy to pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations, i.e., halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5°C” [20]. Other initiatives have also developed their own similar definitions (IFRS - International Financial |

Reporting Standards, TCFD - Task Force on Climate-Related Financial Disclosures, EFRAG - European Financial Reporting Advisory Group, TPT – UK Transition Plan Task Force, GFANZ – Glasgow Financial Alliance for Net Zero).

The assessor evaluates the description and evidence of the low-carbon transition plan for the presence of best practice elements and consistency with the other reported management indicators. The company description and evidence are compared to the maturity matrix developed to guide the scoring and a greater number of points are allocated for elements indicating a higher level of maturity.

Among the best practice elements identified to date are:

- The plan includes financial projections
- The plan should include cost estimates or other assessments of financial viability as part of its preparation
- The description of the major changes to the business is comprehensive, consistent, aligned with other indicators
- Quantitative estimates of how the business will change in the future are included
- Costs associated with the plan (e.g. write-downs, site remediation, contract penalties, regulatory costs) are included
- Potential “shocks” or stressors (sudden adverse changes) have been taken into consideration
- Relevant region-specific considerations are included
- The plan’s measure of success is SMART – contains targets or commitments with timescales to implement them, is time-constrained or the actions anticipated are time-constrained
- The plan’s measure of success is quantitative
- The description of relevant testing/analysis that influenced the transition plan is included
- The plan is consistent with reporting against other ACT indicators
- The scope should cover entire business, and is specific to that business
- The plan should cover the short, medium and long terms. From now or the near future <5 years, until at least 2035 and preferably beyond (2050)
- The plan contains details of actions the company realistically expects to implement (and these actions are relevant and realistic)
- The plan is approved at the strategic level within the organisation
- Discussions about the potential impacts of a low-carbon transition on the current business have been included
- The company has a publicly-acknowledged well-below 2°C (or beyond) science-based target (SBT)
- The company has been carrying out a diagnosis of climate change impacts and identified related physical risks

The maturity matrix used for the assessment is the following:

| Question | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***Measure of success*** | No measure of success | | At least one measure of success which is fully SMART* and contains both qualitative and quantitative elements. | | More than one measure of success. All measures of success are fully SMART*, contain both qualitative and quantitative elements, and are aligned with a low-carbon scenario. | ***10%*** |
| ***Financial content in plan*** | No financial content | Financial projections, cost estimates or other estimates of financial viability are described but not quantified. | Financial projections, cost estimates or other estimates of financial viability are quantified in some detail. | Quantitative estimations of how the business will change in the future are included. Costs associated with the plan (e.g., write-downs, site remediation, contract penalties, regulatory costs) are included. | Description of the major financial changes to the business over all timescales is comprehensive and aligned with other indicators.<br>The transition plan is integrated into the overall business strategy of the organization and linked to the profit and loss statement. | ***10%*** |
| ***Short-term actions (recent past up to reporting year + 5 years)*** | Contains no discussion of short-term actions. | | Contains examples of short-term actions the company expects to implement. | | Contains detailed descriptions of relevant and achievable short-term actions the company expects to implement to make the transition a reality. | ***10%*** |

| | | | | | | |
|---|---|---|---|---|---|---|
| ***Long-term actions and vision (from reporting year + 5 years onwards)*** | Contains no discussion of long-term actions or vision. | | Contains descriptions of long-term actions the company expects to implement to make the transition a reality. | | Contains descriptions of long-term actions the company expects to implement to make the transition a reality.<br>Contains a vision of what the far-future company could look like in terms of physical assets and business model. | ***10%*** |
| ***Scope*** | Scope of transition plan is not defined. | Transition plan applies only to specific business units/operations (representing less than 50% of company's GHG emissions). | Transition plan applies only to specific business units/operations (representing more than 50% of company's GHG emissions). | Transition plan applies to all business units/operations. | Transition plan applies to all business units/operations and the rest of the value chain (upstream and downstream). Any exclusions from the plan must not be material to the organization in terms of GHG emissions. | ***10%*** |
| ***Implementation of results of scenario testing*** | The results of the company's scenario testing (as assessed in Indicator 5.5 – Scenario testing) have not informed the development of the company's transition plan. | | | | The results of the company's scenario testing (as assessed in Indicator 5.5 – Scenario testing) have informed the development of the company's transition plan. | ***10%*** |

| | | | | | | |
|---|---|---|---|---|---|---|
| ***Transition plan timescale†*** | Covers only short term, from reporting year until (RY + 3 years) | Covers only short and medium term, from reporting year until (RY + 4 to 10 years) | Covers short, medium and long term, from reporting year until (RY + 11 to 20 years) | Covers short, medium and long term, from reporting year until (RY + 21 years to 2049) | Covers short, medium and long term, from reporting year until 2050 or beyond | ***10%*** |
| ***Review and update process*** | No transition plan review and update process is in place. | Commitment to review and update transition plan, but no defined timescale or process. | Commitment to review and update transition plan, with either a defined timescale or process. | Commitment to review and update transition plan less often than every 5 years, with a defined process. | Commitment to review and update transition plan at least every 5 years for continuous relevancy and efficacy, with a defined process. | ***10%*** |
| ***Progress reporting process*** | No transition plan progress reporting process is in place. | Commitment to report progress against the transition plan and any material changes, but no defined timescale or stakeholder feedback process (e.g., shareholders and AGMs). | Commitment to report progress against the transition plan and any material changes, with either a defined timescale or stakeholder feedback process (e.g., shareholders and AGMs). | Commitment to report progress against the transition plan and any material changes less often than annually, with a defined stakeholder feedback process (e.g., shareholders and AGMs). | Commitment to report progress against the transition plan and any material changes annually, with a defined stakeholder feedback process (e.g., shareholders and AGMs). | ***10%*** |
| ***The role of a carbon price in the plan*** | No carbon price is considered. | Internal studies have been conducted regarding a carbon price, but this has not been used to guide decisions. | A carbon price is used only qualitatively by the company. | A carbon price is embedded in cost calculations as a financial indicator. | The carbon price value is aligned with a low-carbon scenario‡ and is integrated into the financial scenario used for making key business decisions. | ***10%*** |

* A measure of success is considered “fully SMART” if it meets each of the following SMART elements [21]:
    1. Specific: the measure of success is explicit, with no room for misinterpretation.
    2. Measurable: the measure of success is measurable, and it will be clear when it has been achieved.
    3. Achievable: the measure of success is stretching and ambitious, but not so much that it is unachievable.
    4. Relevant: the measure of success contributes to the organisation’s overall objectives, and complements other measures of success.
    5. Time-bound: the measure of success has a set deadline.
† Companies aiming to achieve their low-carbon transition (e.g., reach net-zero emissions) any year before 2050 and maintain or improve this low-carbon state beyond this specified year, should score Low-carbon aligned.
‡ Refer for instance to International Energy Agency (IEA), World Energy Outlook 2019, Annex B, p 758 [22]. $CO_2$ prices are displayed by world regions, predicted values in 2030 and 2050.

**RATIONALE**

**FA 5.3 LOW-CARBON TRANSITION PLAN**

**RATIONALE OF THE INDICATOR**

All the sectors will require substantial changes to their business to align to a low-carbon economy, over the short, medium and long term, whether it is voluntarily following a strategy to do so or is forced to change by regulations and structural changes to the market. It is better for the success of its business and of its transition that these changes occur in a planned and controlled manner.

## • FA 5.4 CLIMATE CHANGE MANAGEMENT INCENTIVES (WEIGHTING: 1%)

**DESCRIPTION & REQUIREMENTS**

**FA 5.4 CLIMATE CHANGE MANAGEMENT INCENTIVES**

**SHORT DESCRIPTION OF INDICATOR**

The Board’s compensation committee has included metrics for the reduction of GHG emissions in the annual and/or long-term compensation plans of senior executives. The company provides financial incentives for the management of climate change issues as defined by a series of relevant indicators.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Management incentives
- The reporter shall report whether the company provides incentives for the management of climate change issues, including the attainment of targets
- The reporter shall provide details on the incentives provided for the management of climate change issues
- The reporter shall provide details on the activities that are usually rewarded by incentives in the company

CDP Questionnaire 2023 mapping to this indicator:

- C1.3
- C1.3a

**HOW THE ASSESSMENT WILL BE DONE**

The assessor verifies if the company has compensation incentives set for senior executive compensation and/or bonuses, that directly and routinely reward specific, measurable reductions of tons of carbon emitted by the company in the preceding year and/or the future attainment of emissions reduction targets, or other metrics related to the company's low-carbon transition plan. For small companies, or for cases in which the corporate structure does not match the structure of the maturity matrix, the assessor should assign a score based on the company's specific hierarchy (i.e., if climate change management incentives are awarded to the highest level of decision-making within the organization, award "Low-carbon aligned". If incentives are available one level below the highest level, award "Next practice", etc.).

Note: the wording of the "What is the type of incentive" is based on the Executive Compensation Guidebook for Climate Transition developed by Willis Towers Watson, in partnership with the Climate Governance Initiative, a project in collaboration with the World Economic Forum [23].

| Question | Sub-dimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***Who is entitled to benefit?*** | *Who is entitled to benefit?* | Any other answer | Level 4 (see guidance)* | Level 3 (see guidance)* | Level 2 (see guidance)* | Level 1 (see guidance)* | ***50%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***What is the type of incentive?*** | *Type of incentive* | No incentives | The company has introduced climate metrics (key performance indicators (KPIs)), including metrics related to GHG emissions reductions, within annual bonuses (or other short-term incentive plans). | | The company has introduced climate metrics (key performance indicators (KPIs)), including metrics related to GHG emissions reductions, within its long-term incentive plan (likely to include equity in the company). | The company has introduced climate metrics, (key performance indicators (KPIs)), including metrics related to GHG emissions reductions, within its long-term incentive plan (likely to include equity in the company). This plan aligns with the timescale and content of the company's transition plan and emissions reduction targets. | ***50%*** |

* Further guidance for each level of seniority is given below:
    - Level 1
        - Highest level of accountability or decision-making within the organization, with responsibility for overall organizational or corporate strategic direction.
        - Examples: Board, sub-set of the Board, Chief Executive Officer (CEO)
    - Level 2
        - Person/committee that is one step in the corporate structure from the highest level of decision-making of the organization (i.e. reports to or is accountable to Level 1). Inputs into organizational strategy but does not make decisions on it. May have responsibility and accountability for business unit strategy formation and implementation of one or more business units.
        - Examples: Vice President, Director, other C-Suite officer (e.g., Chief Financial Officer (CFO), Chief Procurement Officer (CPO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Sustainability Officer (CSO), etc.), other committee appointed by the Board
    - Level 3

- Person/committee that is two steps in the corporate structure from the highest level of decision-making of the organization. May have responsibility and accountability for business unit strategy formation and implementation for one business unit.
- Examples: Manager, Senior Manager

- Level 4
  - Person/committee that is three or more steps in the corporate structure from the highest level of decision-making of the organization. No responsibility or accountability for business unit strategy development.
  - Examples: Officer, Senior Officer

**RATIONALE** **FA 5.4 CLIMATE CHANGE MANAGEMENT INCENTIVES**

**RATIONALE OF THE INDICATOR**

Executive compensation should be aligned with overall business strategy and priorities. As well as commitments to action the company should ensure that incentives, especially at the executive level, are in place to reward progress towards low-carbon transition. This will improve the likelihood of successful low-carbon transition.

Monetary incentives at the executive level are an indication of commitment to successful implementation of a strategy for low-carbon transition.

## • FA 5.5 CLIMATE CHANGE SCENARIO TESTING (WEIGHTING: 3%)

**DESCRIPTION & REQUIREMENTS** **FA 5.5 CLIMATE CHANGE SCENARIO TESTING**

**SHORT DESCRIPTION OF INDICATOR**

Testing or analysis relevant to determining the impact of transition to a low-carbon economy on the current and projected business model and/or business strategy has been completed, with the results reported to the board or c-suite, the business strategy revised where necessary, and the results publicly reported.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- The reporter shall provide the details and supporting documents on the organization’s climate change scenario testing

CDP Questionnaire 2023 mapping to this indicator:

- C2.3a

- C3.2
- C3.2a
- C3.2b

**HOW THE ASSESSMENT WILL BE DONE**

The assessor evaluates the description and evidence of the low-carbon economy scenario testing for the presence of best-practice elements and consistency with the other reported management indicators. The company description and evidence are compared to the maturity matrix developed to guide the scoring and a greater number of points is allocated for elements indicating a higher level of maturity.

Best-practice elements to be identified in the test/analysis include:

- full coverage of the company's boundaries
- timescale from present to long-term (2035-2050)
- results are expressed in value-at-risk or other financial terms
- multivariate: a range of different changes in conditions are considered together
- changes in conditions are specific to a low-carbon climate scenario
- climate change conditions are combined with other likely future changes in operating conditions over the timescale chosen

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What is the scope of the scenario testing?*** | *Scope* | Scope of scenario testing is not defined. | Scenario testing applies only to specific business units / operations (representing less than 50% of company's GHG emissions). | Scenario testing applies only to specific business units / operations (representing more than 50% of company's GHG emissions). | Scenario testing applies to all business units / operations, | Scenario testing applies to all business units / operations and the rest of the value chain (upstream and downstream). Any exclusions from the plan must not be material to the organization in terms of GHG emissions. | ***25%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***What is the timescale of the scenario testing?*** | *Timescale* | Covers only short term, from reporting year until (RY + 3 years). | Covers only short and medium term, from reporting year until (RY + 4 to 10 years). | Covers short, medium and long term, from reporting year until (RY + 11 to 20 years). | Covers short, medium and long term, from reporting year until (RY + 21 years to 2049). | Covers short, medium and long term, from reporting year until 2050 or beyond. | ***20%*** |
| ***Does the company assess the materiality of climate-related risks /opportunities *?*** | *Climate-related risks/opportunities** | The materiality of climate-related risks/opportunities* is not assessed. | The materiality of 1 category of climate-related risks/opportunities* is assessed. | The materiality of 2 categories of climate-related risks/opportunities* is assessed. | The materiality of 3 categories of climate-related risks/opportunities* is assessed. | The materiality of 4 categories of climate-related risks/opportunities* is assessed. | ***10%*** |
| ***How many scenarios are considered?*** | *Scenarios* | No scenarios are considered. | Considers 1 scenario. | Considers 2 scenarios. | | Considers 3 or more scenarios, including a low-carbon economy scenario. | ***10%*** |
| ***What parameters/assumptions are considered?*** | *Parameters/assumptions considered* | 2 different parameters/assumptions. | | 4 parameters/assumptions together (multivariate) | | Considers 5 or more parameters/assumptions together, related to changing climate conditions in combination with changes in operating conditions. | ***15%*** |
| ***Are the results† expressed in qualitative/ quantitative/ financial terms?*** | *Results†* | No results available | Expressed only in qualitative terms | Expressed in qualitative and quantitative terms | Expressed in qualitative, quantitative and financial terms | Expressed in qualitative, quantitative and financial terms and results are translated into value-at-risk | ***10%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Is a carbon price considered?*** | *Carbon price* | No carbon price is considered. | | A carbon price is used as one of the main parameters/assumptions | | The carbon price used is aligned with the parameters/assumptions of a low-carbon economy scenario‡ | ***10%*** |

* Climate-related risk categories [24]:
    1. Market and Technology shifts
    2. Reputation
    3. Policy and Legal
    4. Physical Risks

† Results of scenario analysis should be presented as business impacts which can include [24]:

- Earnings – what conclusions does the organization draw about impact on earnings and how does it express that impact (e.g., as EBITDA (earnings before interest, taxes, depreciation and amortization), EBITDA margins, EBITDA contribution, dividends)?
- Costs – what conclusions does the organization draw about the implications for its operating/production costs and their development over time?
- Revenues – what conclusions does the organization draw about the implications for the revenues from its key commodities/ products/ services and their development over time?
- Assets – what are the implications for asset values of various scenarios?
- Capital Allocation/ investments – what are the implications for capex and other investments?
- Timing – what conclusions does the organization draw about development of costs, revenues and earnings across time (e.g., 5/10/20 year)?

‡ Refer for instance to International Energy Agency (IEA), World Energy Outlook 2019, Annex B, p 758 [22]. $CO_2$ prices are displayed by world regions, predicted values in 2030 and 2050.

**RATIONALE** **FA 5.5 CLIMATE CHANGE SCENARIO TESTING**

## RATIONALE OF THE INDICATOR

There are a variety of ways of analysing the potential impacts of climate-related changes on the business, whether these are slow and gradual developments or one-off “shocks”. Investors are increasingly calling for techniques such as use of an internal price on carbon, scenario analysis and stress testing to be implemented to enable companies to calculate the value-at-risk that such changes could pose to the business. As this practice is emergent at this time there is currently no comprehensive survey or guidance on specific techniques or tools recommended for the sector. The ACT methodology thus provides a broad definition of types of testing and analysis which can be relevant to this information requirement, to identify both current and best practices and consider them in the analysis.

Scenario stress testing is an important management tool for preparing for low-carbon transition. For businesses likely to be strongly affected by climate change impacts (both direct and indirect), it has even greater importance.

# MODULE 6: SUPPLIER ENGAGEMENT (WEIGHTING: 5 – 20%)

Module 6, “Supplier engagement”, assesses the company’s efforts to decarbonise its supply chain. This module assesses the company’s strategy to engage with its suppliers to reduce emissions. It then assesses existing activities, initiatives and partnerships, launched by the company to influence and support suppliers to reduce emissions.

## • FA 6.1 STRATEGY TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS (WEIGHTING: 2,5 – 10%)

| | |
|---|---|
| **DESCRIPTION & REQUIREMENTS** | **FA 6.1 STRATEGY TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS** |
| **SHORT DESCRIPTION OF INDICATOR** | This indicator assesses the strategic policy and the process which are formalized and implemented into business decision making-processes to influence, enable or otherwise shift suppliers’ choices and behaviours in order to reduce its GHG emissions. |
| **DATA REQUIREMENTS** | The relevant data for this indicator are:<br>♦ Methods of supplier engagement, strategy for prioritizing supplier engagement and measures of success<br>♦ Proportion of total procurement spend and/or supplier-related scope 3 emissions covered by the strategy<br>♦ Data on suppliers’ GHG emissions and climate change strategies<br>♦ Key procurement templates (e.g., New supplier contracts, Supplier Code of Conduct, RFI/RFPs (request for information / proposal), Supplier self-assessments, Performance cards<br>CDP Questionnaire 2023 mapping to this indicator:<br>♦ C12.1a<br>♦ C12.2<br>♦ C12.2a |
| **HOW THE ASSESSMENT WILL BE DONE** | The assessment will assign a maturity score based on the company’s formalized, written strategy regarding its engagement with its suppliers, expressed in a maturity matrix. |

| Question | Sub-dimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What is the scope of the supplier engagement strategy?*** | *Scope* | No strategy applied to any suppliers. | Strategy applied to up to 30% of total procurement spend OR up to 30% of supplier-related scope 3 emissions. | Strategy applied to 31-60% of total procurement spend OR 31-60% of supplier-related scope 3 emissions. | Strategy applied to 61-90% of total procurement spend OR 61-90% of supplier-related scope 3 emissions. | Strategy applied to over 90% of total procurement spend OR over 90% of supplier-related scope 3 emissions. | ***30%*** |
| ***To what extent are GHG emissions reduction requirements integrated in engagement with suppliers?*** | *Emissions reduction requirements* | No emissions reduction requirement included in key procurement templates.* | Unquantified emissions reduction requirement included in key procurement templates.* | Quantified emissions reduction requirement included in key procurement templates* but the supplier is not required to report progress to the company. | Quantified emissions reduction target included in key procurement templates* and the supplier is required to report progress to the company. | Quantified, science-based emissions reduction target (that is aligned with the sector/industry pathway) included in key procurement templates* and the supplier is required to report progress to the company. | ***20%*** |
| ***To what extent are other low-carbon transition-related requirements/recommendations† integrated in engagement with suppliers?*** | *Other low-carbon transition-related requirements/ recommendations* | No other low-carbon transition-related requirements/recommendations† included in key procurement templates.* | | | | 1 or more other low-carbon transition-related requirements/recommendations† included in key procurement templates.* | ***5%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***To what extent are suppliers required to publicly report on their GHG emissions and other low-carbon transition-related requirements/recommendations?*** | *Reporting* | No requirement included in key procurement templates* for suppliers to publicly report on their GHG emissions or other low-carbon transition-related requirements/recommendations. | | Requirement included in key procurement templates* for suppliers to publicly report on their GHG emissions but not any other low-carbon transition-related requirements/recommendations. | | Requirement included in key procurement templates* for suppliers to publicly report on their GHG emissions and other low-carbon transition-related requirements/recommendations. | ***5%*** |
| ***Are GHG emissions reduction /reporting requirements included in selection of new suppliers, renewal of contract with existing suppliers, neither or both?*** | *New suppliers/existing suppliers* | Requirements included in NEITHER the selection of new suppliers NOR renewal of contracts with existing suppliers. | | Requirements included in EITHER the selection of new suppliers OR renewal of contracts with existing suppliers. | | Requirements included in BOTH the selection of new suppliers AND renewal of contracts with existing suppliers. | ***5%*** |
| ***How does the company respond to supplier non-compliance with GHG emissions reduction requirements?*** | *Non-compliance* | No response to supplier non-compliance. | | Company retains/suspends/sanctions and engages non-compliant suppliers, but does not exclude those that fail to show significant improvement | . | Company retains/suspends/sanctions and engages non-compliant suppliers, and permanently excludes those that fail to show significant improvement after | ***5%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | after the period of engagement. | | the period of engagement. | |
| ***What action levers‡ are embedded in the company's strategy to engage suppliers?*** | *Action levers‡ embedded in strategy* | No action levers‡ embedded in strategy. | Strategy includes action lever(s) from one of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.‡ | Strategy includes action levers from two of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.‡ | Strategy includes action levers from all of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.‡ | Strategy includes action levers from all of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.‡<br>Strategy includes regular audits of the supplier by the company or a representative. | ***30%*** |

∗ "Key procurement templates" include but are not limited to [25]:

- New supplier contracts
- Supplier Code of Conduct
- RFI/RFPs
- Supplier self-assessments
- Performance cards

† "Other low-carbon transition-related requirements/recommendations" refers to key aspects of a supplier's low-carbon transition, beyond emissions reductions and targets, that companies can engage them on. These may not be specific requirements, but can be general/high-level recommendations. These aspects can include performance indicators from any ACT performance modules, such as:

- Intangible investment
  - For example, the company recommends that its suppliers increase their R&D spend in low-carbon technologies.
- Governance
  - For example, the company requires its suppliers to conduct climate change scenario testing.
- Policy engagement
  - For example, the company only selects suppliers not opposed to relevant climate policies.

- Business model
    - For example, the company engages with its suppliers to develop new, low-carbon business models.
- Any other relevant low-carbon transition-related requirement/recommendation (e.g., ACT assessment, setting a Science Based Target, etc)

‡ Action levers must be embedded in a strategy document, and not be presented as examples of past/present actions/initiatives (such examples should be scored in indicator 6.2). “Action levers” include, but are not limited to, the following examples, which are grouped into three engagement types (sources: 2023 CDP climate change questionnaire C12.1a [26] [27]):

1. Information collection (understanding supplier behaviour)
    - Collect GHG emissions data at least annually from suppliers
    - Collect targets information at least annually from suppliers
    - Collect climate-related risk and opportunity information at least annually from suppliers
    - Collect climate transition plan information at least annually from suppliers
    - Collect other climate-related information at least annually from suppliers
2. Engagement & incentivization (changing supplier behaviour)
    - Set a supplier code of conduct
    - Implement a supplier rating system with environmental criteria
    - Encourage consumption of renewable electricity at your suppliers
    - Encourage suppliers to exit coal ; adopt a specific target (e.g. no coal-based suppliers by 2025)
    - Encourage energy efficiency measures at your suppliers
    - Run an engagement campaign to educate suppliers about climate change
    - Provide training, support, and best practices on how to make credible renewable energy usage claims
    - Provide training, support, and best practices on how to set science-based targets ; encourage suppliers to set GHG emissions targets aligned with science ; set an internal target (e.g. have 100% of your suppliers covered by a SBTi target)
    - Directly work with suppliers on climate-related topics, such as defining common GHG emissions reduction plans (i.e., both companies commit to reduce X tCO2e together)
    - Climate change performance is featured in supplier awards scheme
    - Offer financial incentives for suppliers who contribute to reducing the company’s operational emissions (Scopes 1 & 2)
    - Offer financial incentives for suppliers who contribute to reducing the company’s downstream emissions (Scope 3)
    - Offer financial incentives for suppliers who contribute to reducing the company’s upstream emissions (Scope 3)

- Offer financial incentives for suppliers who increase the share of renewable energy in their total energy mix
- Offer financial incentives for suppliers who develop/adopt a climate transition plan
- Facilitate adoption of a unified climate transition approach with suppliers
- Encourage orders from suppliers committed to reducing their emissions and/or energy efficiency as well as in countries with less carbon-intensive energy
- Reduce the impact of transportation (grouping of orders and pooling, limitation of the weight of packaging, limitation of the number of intermediaries, lightening of packaging and pallets)

3. Innovation & collaboration (changing markets)
    - Run a campaign to encourage innovation to reduce climate impacts on products and services
    - Collaborate with suppliers on innovative business models to source renewable energy
    - Invest jointly with suppliers in R&D of relevant low-carbon technologies

## RATIONALE

### FA 6.1 STRATEGY TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS

#### RATIONALE OF THE INDICATOR

#### RELEVANCE OF THE INDICATOR:

Supplier engagement is included in this ACT methodology for the following reasons:

- It might have a significant impact in terms of GHG emissions. Achieving decarbonisation of the whole supply chain is key to achieving climate goals in most of companies.
- Engaging suppliers through contract clauses and sales incentives is necessary to bring them on board.
- In the Fashion sector, processes are energy-intensive and a lot of production still comes from countries with a fossil-based energy mix (e.g. high coal share). Thus, supplier engagement is key to decarbonise the Manufacturing step of the value chain.

#### SCORING THE INDICATOR:

Because of data availability and complexity, a direct measure of the outcome of such engagement is not feasible at this time. It is often challenging to quantify the emissions reduction potential and outcome of collaborative activities with the supply chain. Therefore, the approach of a maturity matrix

allows the assessor to consider multiple dimensions of supplier engagement and assess them together to calculate a single score for Supplier Engagement.

## • FA 6.2 ACTIVITIES TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS (WEIGHTING: 2,5 – 10%)

**DESCRIPTION & REQUIREMENTS**

### FA 6.2 ACTIVITIES TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS

**SHORT DESCRIPTION OF INDICATOR**

This indicator assesses the extent to which the company implements activities and initiatives that help, influence or otherwise enable suppliers to reduce their GHG emissions. The indicator aims to be a holistic measure of these activities and initiatives, with evidence of implementation and outcomes in the value chain across all products/services.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- List of initiatives implemented to influence suppliers to reduce their GHG emissions, green purchase policy or track record, supplier code of conduct

CDP Questionnaire 2023 mapping to this indicator:

- C12.1a
- C12.2
- C12.2a

**HOW THE ASSESSMENT WILL BE DONE**

The assessment will assign a maturity score based on the company's demonstration of recent and current activities and initiatives with its suppliers, expressed in a maturity matrix.

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| *Associated score* | | *0%* | *25%* | *50%* | *75%* | *100%* | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***What action levers* does the company use in practice to engage suppliers?*** | *Action levers* used in practice* | No evidence of action levers* used in practice. | Evidence of company using action lever(s) from ONE of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.* | Evidence of company using action levers from TWO of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.* | Evidence of company using action levers from ALL of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.* | Evidence of company using action levers from ALL of the three engagement types (Information collection, Engagement & Incentivisation, Innovation & collaboration) used.*<br>Regular audits of the supplier by the company or a representative. | ***30%*** |
| ***What is the scope of the recent and current activities in supplier engagement?*** | *Scope* | No suppliers engaged. | Suppliers engaged represent up to 30% of total procurement spend OR up to 30% of supplier-related scope 3 emissions. | Suppliers engaged represent 31-60% of total procurement spend OR 31-60% of supplier-related scope 3 emissions. | Suppliers engaged represent 61-90% of total procurement spend OR 61-90% of supplier-related scope 3 emissions. | Suppliers engaged represent over 90% of total procurement spend OR over 90% of supplier-related scope 3 emissions. | ***40%*** |
| ***How impactful has the company's supplier engagement been?*** | *Impact of engagement†* | No evidence of impact† of action levers used. | Some action levers used have qualitative evidence of impact†. | Almost all action levers used have qualitative evidence of impact†. | Some action levers used have quantitative evidence of impact†. | Almost all action levers used have qualitative and quantitative evidence of impact†. | ***30%*** |

* Action levers: as per indicator *6.1 Strategy to influence suppliers to reduce their GHG emissions*

† The metric used to measure impact depends on the action lever the metric refers to. Examples of "evidence of impact" might include, but are not limited to:

- Qualitative example: Feedback from suppliers saying that they appreciate and will use this new knowledge to start their journey on the low-carbon transition
- Quantitative example: Engaged suppliers have reduced their annual GHG emissions by X%
- Quantitative example: The percentage of engaged suppliers setting science-based targets has increased annually by X%
- Quantitative example: The percentage of engaged suppliers conducting scenario testing has increased annually by X%

**RATIONALE**

## FA 6.2 ACTIVITIES TO INFLUENCE SUPPLIERS TO REDUCE THEIR GHG EMISSIONS

**RATIONALE OF THE INDICATOR**

### RELEVANCE OF THE INDICATOR:

Activities to influence suppliers are included in this ACT methodology for the following reasons:

- It might have a significant impact in terms of GHG emissions. Achieving decarbonisation of the whole supply chain is key to achieving climate goals in most of companies
- Engaging suppliers through contract clauses and sales incentives is necessary to bring them on board.
- In the Fashion sector, processes are energy-intensive and a lot of production still comes from countries with a fossil-based energy mix (e.g. high coal share). Thus, supplier engagement is key to decarbonise the Manufacturing step of the value chain.

### SCORING THE INDICATOR:

Because of data availability and complexity, a direct measure of the outcome of such engagement is not feasible at this time. It is often challenging to quantify the emissions reduction potential and outcome of collaborative activities with the supply chain. Therefore, the approach of a maturity matrix allows the assessor to consider multiple dimensions of supplier engagement and assess them together towards a single score for all the activities related to Supplier Engagement.

# MODULE 7: CLIENT ENGAGEMENT (WEIGHTING: 10 – 20%)

Module 7, "Client engagement", assesses the company's engagement efforts to influence client behaviour to reduce its greenhouse gas emissions. This module assesses the company's strategy to engage with its clients or customers to reduce emissions. It then assesses existing activities, initiatives and partnerships, launched by the company to influence clients to reduce emissions.

## • FA 7.1 STRATEGY TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS (WEIGHTING: 5 – 10%)

**DESCRIPTION & REQUIREMENTS**

**FA 7.1 STRATEGY TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS**

**SHORT DESCRIPTION OF INDICATOR**

The company has a strategy, ideally governed by policy and integrated into business decision making, to influence, enable, or otherwise shift client choices and behaviour in order to reduce their GHG emissions.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Strategy to influence clients GHG emissions
- % of clients covered by the strategy
- Data on clients' choices and preferences towards reducing GHG emissions

CDP Questionnaire 2023 mapping to this indicator:

- C12.1b

**HOW THE ASSESSMENT WILL BE DONE**

The assessment will assign a maturity score based on the company's formalized, written strategy regarding its engagement with its customers, expressed in a maturity matrix.

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***What is the scope of the client engagement strategy?*** | *Scope* | No strategy applied to any clients. | Strategy applied to up to 30% of revenues OR up to 30% of client-related scope 3 emissions. | Strategy applied to 31-60% of revenues OR 31-60% of client-related scope 3 emissions. | Strategy applied to 61-90% of revenues OR 61-90% of client-related scope 3 emissions. | Strategy applied to over 90% of revenues OR over 90% of client-related scope 3 emissions. | ***30%*** |
| ***To what extent are GHG emissions reduction/energy efficiency targets integrated in client engagement strategy?*** | *Emissions reduction/ energy efficiency targets* | GHG emissions reduction/ energy efficiency targets not included in client engagement strategy. | Discussion about GHG emissions reduction/ energy efficiency included in engagement with clients | Unquantified GHG emissions reduction/ energy efficiency target(s) included in client engagement strategy. | Quantified GHG emissions reduction included in engagement with clients | Quantified GHG emissions reduction/ energy efficiency target(s) included as priority in client engagement strategy. | ***30%*** |
| ***To what extent are other low-carbon transition-related recommendations* integrated in client engagement strategy?*** | *Other low-carbon transition-related recommendations** | No other low-carbon transition-related recommendations* included in client engagement strategy. | Passive approach (clients may use low-carbon product but no specific action levers from the company) | Use of one action lever (awareness campaign, compensation, purchasing rule, etc.) | Use of several action levers (awareness campaign, compensation, purchasing rule, etc.) | 1 or more other low-carbon transition-related recommendations* included in client engagement strategy.<br>Contribution to shift demand towards low-carbon products | ***10%*** |
| ***What action levers† are embedded in the company's strategy to encourage clients to reduce their emissions?*** | *Action levers† embedded in strategy* | No action levers† embedded in strategy. | Strategy includes action lever(s) from one of the four engagement types (Education/information sharing; Collaboration & innovation; | Strategy includes action lever(s) from two of the four engagement types (Education/information sharing; Collaboration & innovation; Compensation, Customer | Strategy includes action lever(s) from three of the four engagement types (Education/information sharing; Collaboration & innovation; | Strategy includes action lever(s) from all four of the four engagement types (Education/information sharing; Collaboration & innovation; Compensation, Customer | ***30%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Compensation; Customer motivation via marketing and choice architecture)†. | motivation via marketing and choice architecture)†. | Compensation, Customer motivation via marketing and choice architecture)†. | motivation via marketing and choice architecture)†. | |

† "Other low-carbon transition-related recommendations" refers to key aspects of a client's low-carbon transition, beyond emissions reductions and targets, that companies can engage them on. These aspects can include performance indicators from any ACT performance modules, such as:

- Intangible investment
  - For example, the company recommends that its clients increase their R&D spend in low-carbon technologies.
- Governance
  - For example, the company encourages its clients to conduct climate change scenario testing.
- Policy engagement
  - For example, the company encourages its clients to support relevant climate policies.
- Business model
  - For example, the company engages with its clients to develop new, low-carbon business models.

† Action levers must be embedded in a strategy document, and not be presented as examples of past/present actions/initiatives (such examples should be scored in indicator 7.2). "Action levers" include but are not limited to the following individual action levers, which are grouped into four engagement types (sources: 2022 CDP climate change questionnaire C12.1a [26], [28]):

- Education/information sharing
  - Run an engagement campaign to educate customers about the quantified climate change impacts of (using) your products (e.g. environmental impact of washing and advice to reduce it)
  - Educate consumers on how to take care of your products so that they can last longer (e.g. advice on your website or in store on how to wash the products)
  - Educate consumers on repairability (e.g. set free repair workshops, provide advice in store, post repair video tutorials on your website)
  - Educate consumers on the impact of your products (e.g. "eco-designed product' labelling)
  - Train your sales team on relevant topics (e.g. repairability, impact of the use phase)

        - Share environmental information (e.g., quantified GHG emissions) about your products and relevant certification schemes (i.e., Energy STAR)
        - Provide documents and tools
    - Collaboration & innovation
        - Work on eco-design (e.g. increase the share of eco-designed products in your collections)
        - Run a campaign to encourage innovation to reduce climate change impacts
        - Organize multi-party working group with meetings taking place at least annually
    - Compensation/demand-side response
        - Provide rebates for environmentally friendly actions
        - Deliver energy efficiency programs offering customers incentives to increase efficiency and decrease overall electricity demand
    - Customer motivation via marketing and choice architecture ("nudging")
        - Design marketing campaigns/choice architecture aiming to indirectly encourage customers to reduce their emissions (choosing products with less impact and/or reduce their consumption)

## RATIONALE

### FA 7.1 STRATEGY TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS

#### RELEVANCE OF THE INDICATOR:

**RATIONALE OF THE INDICATOR**

Strategies to influence clients are included in this ACT methodology for the following reasons:

- Companies usually have some ability to influence the actions and performance of clients regarding climate thanks to their products or services.
- The downstream value chain can represent the largest source of emissions for some companies and clients should be engaged through a proper, ambitious strategy.

#### SCORING THE INDICATOR:

Because of data availability and complexity, a direct measure of the outcome of such engagement is not very feasible at this time. It is often challenging to quantify the emissions reduction potential and outcome of collaborative activities with the supply chain. Therefore, the approach of a maturity matrix

allows the assessor to consider multiple dimensions of supplier engagement and assess them together towards a single score for a strategy related to Client Engagement.

## • FA 7.2 ACTIVITIES TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS (WEIGHTING: 5 – 10%)

**DESCRIPTION & REQUIREMENTS**

### FA 7.2 ACTIVITIES TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS

**SHORT DESCRIPTION OF INDICATOR**

This indicator assesses the extent to which the company implements activities and initiatives that help, influence or otherwise enable clients to reduce their GHG emissions. The indicator aims to be a holistic measure of these activities and initiatives, with evidence of implementation and outcomes in the value chain across all products/services.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Activities to influence clients GHG emissions
- % of clients covered by the activities
- Data on clients' choices and preferences towards reducing GHG emissions

CDP Questionnaire 2023 mapping to this indicator:

- C12.1b

**HOW THE ASSESSMENT WILL BE DONE**

The assessment will assign a maturity score based on the company's demonstration of recent and current activities and initiatives with its clients, expressed in a maturity matrix.

| Question | Sub-dimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What action levers* does the company use in*** | *Action levers* used in practice* | No evidence of action levers* used in practice. | Evidence of company responding only to customer demand | Evidence of company using action lever(s) from ONE of the four engagement types | Evidence of company using action lever(s) from TWO of the four engagement types | Evidence of company using action lever(s) from AT LEAST THREE of the four | ***30%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***practice to encourage clients to reduce their emissions?*** | | | for more low-carbon products without attempting to change the existing customer demand towards low-carbon alternatives. | (Education/information sharing; Collaboration & innovation; Compensation; Customer motivation via marketing and choice architecture).* | (Education/information sharing; Collaboration & innovation; Compensation; Customer motivation via marketing and choice architecture).* | engagement types (Education/information sharing; Collaboration & innovation; Compensation; Customer motivation via marketing and choice architecture).* | |
| ***What is the scope of the recent and current activities in client engagement?*** | *Scope* | No clients engaged. | Clients engaged represent up to 30% of revenues OR up to 30% of client-related scope 3 emissions. | Clients engaged represent 31-60% of revenues OR 31-60% of client-related scope 3 emissions. | Clients engaged represent 61-90% of revenues OR 61-90% of client-related scope 3 emissions. | Clients engaged represent over 90% of revenues OR over 90% of client-related scope 3 emissions. | ***40%*** |
| ***How impactful has the company's client engagement been?*** | *Impact of engagement*† | No evidence of impact† of action levers used. | Some action levers used have qualitative evidence of impact†. | Almost all action levers used have qualitative evidence of impact†. | Some action levers used have quantitative evidence of impact†. | Almost all action levers used have qualitative and quantitative evidence of impact†. | ***30%*** |

* Action levers must be presented as examples of past/present actions/initiatives, and not be theoretical/embedded in a strategy document (such examples should be scored in indicator 7.1). "Action levers" include but are not limited to: as per indicator *7.1 Strategy to influence clients to reduce their GHG emissions.*

† The metric used to measure impact depends on the action lever the metric refers to. Examples of "evidence of impact" might include, but are not limited to:

- Qualitative example: Feedback from clients saying that they appreciate and will use this new knowledge to start their journey on the low-carbon transition
- Quantitative example: Evidence that engaged clients have reduced their use-phase GHG emissions by X%

***Rationale*** **FA 7.2 ACTIVITIES TO INFLUENCE CLIENTS TO REDUCE THEIR GHG EMISSIONS**

*Rationale of the indicator*

**RELEVANCE OF THE INDICATOR:**

Activities to influence clients are included in this ACT methodology for the following reasons:

- Companies usually have the ability to influence the actions and performance of clients regarding climate thanks to their products or services.
- The downstream can represent the largest source of emissions for some companies throughout the value chain and clients should be engaged through low-carbon solutions.

**SCORING THE INDICATOR:**

Because of data availability and complexity, a direct measure of the outcome of such engagement is not very feasible at this time. It is often challenging to quantify the emissions reduction potential and outcome of collaborative activities with the supply chain. Therefore, the approach of a maturity matrix allows the assessor to consider multiple dimensions of supplier engagement and assess them together towards a single score for all the activities related to Client Engagement.

# MODULE 8: POLICY ENGAGEMENT (WEIGHTING: 3%)

Module 8, “Policy engagement”, assesses how the company influences the policy agenda, whether through membership of trade associations and lobbying organisations, support for/obstruction of climate policies, and engagement with local authorities.

## • FA 8.1 COMPANY POLICY ON ENGAGEMENT WITH ASSOCIATIONS, ALLIANCES, COALITIONS OR THINKTANKS (WEIGHTING: 1%)

| DESCRIPTION & REQUIREMENTS | FA 8.1 COMPANY POLICY ON ENGAGEMENT WITH ASSOCIATIONS, ALLIANCES, COALITIONS OR THINKTANKS |
|---|---|
| SHORT DESCRIPTION OF INDICATOR | The company has a policy on what action to take when associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support are found to be opposing “climate-friendly” policies. |
| DATA REQUIREMENTS | The relevant data for this indicator are:<br>♦ Public climate change policy positions<br>♦ Description of this policy (scope & boundaries, responsibilities, process to monitor and review)<br>♦ Associations, alliances, coalitions or thinktanks that are likely to take a position on climate change legislation<br>♦ External sources of data shall also be used for the analysis of this indicator (e.g. RepRisk database, InfluenceMap, press news, actions in standard development)<br>CDP Questionnaire 2023 mapping to this indicator:<br>♦ C12.3b |
| HOW THE ASSESSMENT WILL BE DONE | The assessor will evaluate the description and evidence of the policy on associations, alliances, coalitions or thinktanks of which the company is a member or to which it provides support, for the presence of best practice elements and consistency with the other reported management indicators. The company description and evidence will be compared to the maturity matrix developed to guide the scoring and a greater number of points will be allocated for elements indicating a higher level of maturity.<br>Best practice elements to be identified in the test/analysis include: |

- A publicly available policy is in place
- The scope of the policy covers the entire company and its activities, and all associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support. (Consideration should be given as to whether these associations, alliances, coalitions and thinktanks in turn are members of or otherwise support other such organisations that have climate-negative activities or positions).
- The policy sets out what action is to be taken in the case of inconsistencies
- Action includes option to terminate membership of the associations, alliances, coalitions or thinktanks
- Action includes option of publicly opposing or actively countering the association, alliance, coalition or thinktank's position
- Responsibility for oversight of the policy lies at top level of the organization, and implementation lies at senior management level
- There is a process to monitor and review association, alliance, coalition and thinktank positions

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weightings |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What is the scope covered by the engagement policy? Is the policy publicly available?*** | *Transparency and scope* | Does not cover the entire company (including all of its subsidiaries and business areas, and all operational jurisdictions, i.e., entities within its reporting boundary) or all associations, alliances and coalitions of which it is a member. Is not publicly available. | Does not cover entire company or all group memberships.<br>Is publicly available. | Covers the entire company (including all of its subsidiaries and business areas, and all operational jurisdictions, i.e., entities within its reporting boundary), and all associations, alliances and coalitions of which it is a member. Is not publicly available. | | Covers the entire company (including all of its subsidiaries and business areas, and all operational jurisdictions, i.e., entities within its reporting boundary), and all associations, alliances and coalitions of which it is a member. Is publicly available. | ***40%*** |
| ***Does the company have a review*** | *Review process* | No process to monitor and | A process to monitor and | A process to monitor and | A process to monitor and | A process to monitor and | ***40%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***process of associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support?*** | | review association, alliance, coalition and thinktank climate policy positions exists. | review association, alliance, coalition and thinktank climate policy positions exists.<br><br>The process is not necessarily implemented. | review association, alliance, coalition and thinktank climate policy positions exists.<br><br>The process is implemented, but responsibility for oversight of the process lies below Level 1*, and implementation of the process lies below Level 3*. | review association, alliance, coalition and thinktank climate policy positions exists.<br><br>Either responsibility for oversight of the process lies at Level 1*, or implementation of the process lies at Level 3 or above*. | review association, alliance, coalition and thinktank climate policy positions exists.<br><br>Responsibility for oversight of the process lies at Level 1*, and implementation of the process lies at Level 3 or above*. | |
| ***Does the company have an action plan addressing what action to take when associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support are found to be opposing "climate-friendly" policies?†*** | *Action plan* | No action plan exists. | Action plan sets out which actions are to be taken when associations, alliances, coalitions or thinktanks are found to be opposing "climate-friendly" policies. Action plan does not include any of the actions listed†. | Action plan includes making public statements challenging associations, alliances, coalitions and thinktanks*. Does not include either of the other actions listed†. | Action plan includes engaging with associations, alliances, coalitions or thinktanks to change their position†. May include making public statements, but does not include withdrawing funding for/suspending or ending membership†. | Action plan includes withdrawing funding for/suspending or ending membership of the association, alliance, coalition or thinktank*. May include both other actions listed†. | ***20%*** |

* Further guidance for each level of seniority is given below:

- Level 1
  - Highest level of accountability or decision-making within the organization, with responsibility for overall organizational or corporate strategic direction.
  - Examples: Board, sub-set of the Board, Chief Executive Officer (CEO)
- Level 2
  - Person/committee that is one step in the corporate structure from the highest level of decision-making of the organization (i.e. reports to or is accountable to Level 1). Inputs into organizational strategy but does not make decisions on it. May have responsibility and accountability for business unit strategy formation and implementation of one or more business units.
  - Examples: Vice President, Director, other C-Suite officer (e.g., Chief Financial Officer (CFO), Chief Procurement Officer (CPO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Sustainability Officer (CSO), etc.), other committee appointed by the Board
- Level 3
  - Person/committee that is two steps in the corporate structure from the highest level of decision-making of the organization. May have responsibility and accountability for business unit strategy formation and implementation for one business unit.
  - Examples: Manager, Senior Manager
- Level 4
  - Person/committee that is three or more steps in the corporate structure from the highest level of decision-making of the organization. No responsibility or accountability for business unit strategy development.
  - Examples: Officer, Senior Officer

† Actions a company can take when associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support are found to be opposing “climate-friendly” policies follow a hierarchy of severity, as follows (sources: [29], [30]):

1. Making public statements challenging associations, alliances, coalitions and thinktanks
   - For example, the company speaks out, publicly distancing itself from statements or lobbying against climate policy by associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support. The company explains how these statements or lobbying are inconsistent with its own emissions reduction goals and with its support for climate policy.
2. Engaging with associations, alliances, coalitions or thinktanks to change their position.

- For example, the company works to end lobbying against climate policy through transparent and time-bound engagement with those organizations.

3. Withdrawing funding for/suspending or ending membership of the association, alliance, coalition or thinktank.
   - For example, where attempts to change an association's position prove ineffective or insufficient, the company discontinues its membership or withdraws funding from the association.

**RATIONALE**

**FA 8.1 COMPANY POLICY ON ENGAGEMENT WITH ASSOCIATIONS, ALLIANCES, COALITIONS OR THINKTANKS**

**RATIONALE OF THE INDICATOR**

Associations, alliances, coalitions and thinktanks are a key instrument by which companies can indirectly influence policy on climate. thus, when associations, alliances, coalitions and thinktanks take positions, which are negative for climate, companies need to take action to ensure that this negative influence is countered or minimized.

This indicator is consistent with the ACT Framework and ACT Guidelines and common to the other sectoral methodologies.

## • FA 8.2 ASSOCIATIONS, ALLIANCES, COALITIONS AND THINKTANKS SUPPORTED DO NOT HAVE CLIMATE-NEGATIVE ACTIVITIES OR POSITIONS (WEIGHTING: 1%)

**DESCRIPTION & REQUIREMENTS**

**FA 8.2 ASSOCIATIONS, ALLIANCES, COALITIONS AND THINKTANKS SUPPORTED DO NOT HAVE CLIMATE-NEGATIVE ACTIVITIES OR POSITIONS**

**SHORT DESCRIPTION OF INDICATOR**

The company is not on the Board of, providing funding beyond membership to, or otherwise supporting any associations, alliances, coalitions or thinktanks that have climate-negative activities or positions.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- The reporter shall provide details of those associations, alliances, coalitions and thinktanks that are likely to take a position on climate change legislation
- The company should attach supporting documentation, if this exists, giving evidence

External sources of data shall also be used for the analysis of this indicator:

- RepRisk database,
- Climate Action 100+
- Ellen Macarthur Foundation
- Press news
- EP100 – Climate Group (www.theclimategroup.org/project/ep100)
- Low-carbon Technology Partnerships initiative (www.wbcsd.org/Programs/Climate-and-Energy/Climate/Low-Carbon-Technology-Partnerships-initiative)

CDP Questionnaire 2023 mapping to this indicator:

- C12.3b
- C12.3c

**HOW THE ASSESSMENT WILL BE DONE**

The list of associations, alliances, coalitions and thinktanks declared in the CDP data and other external sources relating to the company is assessed against a list of associations, alliances, coalitions and thinktanks that have climate-negative activities or positions (InfluenceMap is usually used for this [31]). (Consideration should be given as to whether these associations, alliances, coalitions and thinktanks in turn are members of or otherwise support other such organisations that have climate-negative activities or positions.) Such activities or positions could include lobbying against climate policies and practices. The results will be compared to any policy described in 8.1 ("Company policy on engagement with associations, alliances, coalitions or thinktanks").

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***Does the company support associations, alliances, coalitions or thinktanks that have*** | *Membership/funding* | The company is on the board or provides funding beyond membership to associations, alliances, | | The company is not on the board or providing funding beyond membership of any associations, alliances, coalitions or | | The company is not a member of or providing funding for any associations, alliances, coalitions or thinktanks that | ***100%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***climate negative activities/positions?*** | | coalitions and/or thinktanks that have climate – negative activities or positions | | thinktanks that have climate-negative activities or positions. Company may be a member. | | have climate-negative activities or positions | |

**RATIONALE**

**FA 8.2 ASSOCIATIONS, ALLIANCES, COALITIONS AND THINKTANKS SUPPORTED DO NOT HAVE CLIMATE-NEGATIVE ACTIVITIES OR POSITIONS**

**RATIONALE OF THE INDICATOR**

Associations, alliances, coalitions and thinktanks are key instruments by which companies can indirectly influence policy on climate. Thus, participating in associations, alliances, coalitions and thinktanks which actively lobby against climate-positive legislation is a negative indicator and likely to obstruct low-carbon transition.

## • FA 8.3 POSITION ON SIGNIFICANT CLIMATE POLICIES (WEIGHTING: 1%)

**DESCRIPTION & REQUIREMENTS**

**FA 8.3 POSITION ON SIGNIFICANT CLIMATE POLICIES**

**SHORT DESCRIPTION OF INDICATOR**

The company is not opposed to any significant climate relevant policy and/or supports climate-friendly policies.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- The company should attach supporting documentation, if this exists, giving evidence on the position of the company on significant climate policies (public statements, etc.).
- The company shall disclose details of the issues on which it has been directly engaging with policy makers and its proposed legislative solution.
- The company can share elements related to its involvement in sectoral initiatives along authorities (e.g. European Commission)

CDP Questionnaire 2023 mapping to this indicator:

- C12.3a

External sources of data shall also be used for the analysis of this indicator (e.g. RepRisk database, press news, actions in standard development)

**HOW THE ASSESSMENT WILL BE DONE**

The assessor evaluates the description and evidence on company position on relevant climate policies for the presence of best practice elements, negative indicators and consistency with the other reported management indicators. The company description and evidence will be compared to the maturity matrix developed to guide the scoring and a greater number of points will be allocated for elements indicating a higher level of maturity.

| Question | Subdimension | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|---|
| ***Associated score*** | | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What is the position of the company on significant climate policies?*** | *Climate policy support* | Direct opposition to climate policies (including where third-party claims are found). | No reported direct opposition to climate policies. | Publicly supports significant climate policies. | Publicly supports significant climate policies.<br>Publicly commits to international low-carbon commitments, such as the Paris Agreement. | Publicly supports significant climate policies.<br>Publicly commits to international low-carbon commitments, such as the Paris Agreement.<br>Actively participates in/leads sectoral/cross-sectoral initiatives against climate change*. | ***60%*** |
| ***Does the company have a monitoring and review process to ensure that its policy positions are consistent with the goals of the*** | *Monitoring and review process* | No monitoring and review process to ensure that the company's policy positions are consistent with the goals of the Paris Agreement exists. | A monitoring and review process to ensure that the company's policy positions are consistent with the goals of the Paris Agreement exists. | A monitoring and review process to ensure that the company's policy positions are consistent with the goals of the Paris Agreement exists. | A monitoring and review process to ensure that the company's policy positions are consistent with the goals of the Paris Agreement exists. | A monitoring and review process to ensure that the company's policy positions are consistent with the goals of the Paris Agreement exists. | ***40%*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Paris Agreement?*** | | | The process is not necessarily implemented. | The process is implemented, but oversight of the process lies below Level 1†, and implementation of the process lies below Level 3†. | Either oversight of the process lies at Level 1†, or implementation of the process lies at or above Level 3†. | Oversight of the process lies at Level 1†, and implementation of the process lies at or above Level 3†. | |

* Examples of sectoral/cross-sectoral initiatives against climate change might include, but are not limited to:
    - Science Based Targets initiative (SBTi)
    - Leadership Group for Industry Transition (LeadIT)
    - Mission Possible Partnership (MPP)
† Further guidance for each level of seniority is given below:
    - Level 1
        - Highest level of accountability or decision-making within the organization, with responsibility for overall organizational or corporate strategic direction.
        - Examples: Board, sub-set of the Board, Chief Executive Officer (CEO)
    - Level 2
        - Person/committee that is one step in the corporate structure from the highest level of decision-making of the organization (i.e. reports to or is accountable to Level 1). Inputs into organizational strategy but does not make decisions on it. May have responsibility and accountability for business unit strategy formation and implementation of one or more business units.
        - Examples: Vice President, Director, other C-Suite officer (e.g., Chief Financial Officer (CFO), Chief Procurement Officer (CPO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Sustainability Officer (CSO), etc.), other committee appointed by the Board
    - Level 3

        - Person/committee that is two steps in the corporate structure from the highest level of decision-making of the organization. May have responsibility and accountability for business unit strategy formation and implementation for one business unit.
        - Examples: Manager, Senior Manager
    - Level 4
        - Person/committee that is three or more steps in the corporate structure from the highest level of decision-making of the organization. No responsibility or accountability for business unit strategy development.
        - Examples: Officer, Senior Officer

**RATIONALE**

## FA 8.3 POSITION ON SIGNIFICANT CLIMATE POLICIES

### RATIONALE OF THE INDICATOR

Policy and regulation that acts to promote transition to a low-carbon economy is key to the success of the transition. Companies should not oppose effective and well-designed regulations in these areas but should support them.

# MODULE 9: BUSINESS MODEL (WEIGHTING: 15%)

A company may need to transition and/or replace its existing business model(s) to remain profitable in a low-carbon economy. The company's future business model(s) should meet the constraints of a low-carbon transition while continuing to generate value. This can be done by developing new, low-carbon business models outside the core business of the company, while decarbonizing or terminating existing, high-carbon business models. This should lead to the company's revenue being generated entirely from low-carbon products and services, according to the ACT definition of "low carbon" for a particular sector.

This module aims to identify the detail of the specific changes it is making to its business: introducing/expanding new, low-carbon business models; and make sure the company integrated the volume production reduction in its strategy.

It is recognized that transition to a low-carbon economy, with the associated change in business models, will take place over several years. The analysis will thus seek to identify and reward projects at an early stage as well as more mature business models.

Please note that some actions / interventions are assessed in the Module 4 – Sold Product performance (regarding durability, second hand etc…) and might be used to assess the Module 9 Business Module. However, there is a clear distinction between both. While Module 4 assess the quality, the maturity and the relevance of the intervention implemented by the company, Module 9 assess how much these business activities are integrated in the overall company's strategy.

While each sector methodology contains a list of low-carbon business models and activities that are considered relevant to the assessment, the following definitions provide further guidance to assessors:

## DEFINING "LOW-CARBON BUSINESS MODEL"

A business model is a plan for performing activities that transform inputs (labour, capital, equipment, land, buildings, materials, and information) into outputs (products and services) that provide added value to customers and create value for the company. It includes sources of revenue, the intended customer base, and details of financing.

A *low-carbon* business model is one that is based primarily around a set of inputs, activities and/or outputs which are considered to contribute substantially to climate change mitigation.[1] There are two main categories of business model that can be classed as low-carbon:

[1] Definitions are partially based on the EU Taxonomy regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852

- *Aligned/transitional* business models. These are either widely recognised as low-carbon solutions or have GHG emissions that are substantially lower than the sector or industry average, do not hamper the development and deployment of low-carbon alternatives, do not lead to a lock-in of assets incompatible with the objective of climate change mitigation, considering the economic lifetime of those assets, and do no significant harm to the environment.
    - E.g., providing repairability services
- *Enabling/contribution* business models. These are business models that enable other activities/companies/sectors to make a substantial contribution to climate change mitigation, provided that the enabling business models do not lead to a lock-in of assets incompatible with the objective of climate change mitigation, considering the economic lifetime of those assets.
    - E.g., Second hand.

#### CATEGORIES OF LOW-CARBON BUSINESS MODEL AND LOW-CARBON BUSINESS ACTIVITY FOR FASHION INDUSTRY

The relevant categories of low-carbon business model and low-carbon business activity for the sector are listed below. The minimum requirement for points to be awarded is that some level of exploration of one or more of these relevant business areas has started. This could include participation in collaborations, pilot projects, or research funding. As such, a low-carbon business model may be the following (not exhaustive):

**Circular Fashion:**

- Second hand & Vintage Markets: Facilitating the buying and selling of secondhand or vintage clothing contribute to a more sustainable fashion ecosystem by extending the lifecycle of garments.
- Renting & leasing: Allowing customers to rent clothing items for a specific period rather than buying them outright. This reduces the demand for new production and promotes a circular economy. Note: As renting often leads to bad practices (not re-using products); it is only beneficial if the products are used often and have a long enough lifespan. Thus, this business model could only be valorized under ACT Fashion if the company can justify it results in avoided emissions.
- Upcycling & recycling: Taking old pieces of clothing or fabric scraps and turning them into new, stylish garments. This process not only reduces waste but also adds value to the materials by giving them a new and improved purpose. Upcycling/recycling is considered a sustainable practice as it promotes resource efficiency, minimizes the environmental impact associated with the production of new materials, and encourages a more circular approach to consumption. Note: unsold products are excluded from upcycling (upcycling is not a sustainable practice if it applies to an unsold product that has never been used) and is already considered in indicator 4.5.

**Repairability*:**

- Providing Repair Services: Offering repair services for their products, either in-house or through partnerships with local repair shops. This includes fixing minor damages, replacing parts, or refreshing the item to extend its lifespan. To be efficient, repair services must be offered at a reasonable cost, encouraging consumers to invest in repairing their items rather than discarding them.

- DIY Repair Kits: Selling do-it-yourself (DIY) repair kits that include necessary tools, patches, or replacement parts. This empowers consumers to take an active role in maintaining and repairing their clothing. Tutorials and guides may be provided to assist customers in performing repairs on their own.

**Repair is only possible if products are repairable. The prerequisite of repairability must be the design/products of repairable products.*

**Slow Fashion:**

- Quality Over Quantity: Emphasizing durable, high-quality products that are designed to last encourages consumers to make fewer purchases, reducing overall consumption and waste.
- Seasonless Fashion: Moving away from the traditional fashion calendar and creating timeless pieces that are not tied to specific seasons can reduce the pressure for constant production and consumption.

## DEFINING "LOW-CARBON BUSINESS ACTIVITY"

A business activity is anything a company does in order to carry out its business model, i.e., as part of the process of transforming inputs into outputs.

A low-carbon business activity is one which is considered to contribute substantially to climate change mitigation (following the definition in the section above, "Defining 'low-carbon business model'").

This is particularly relevant in indicator 9.1, dimension 2 ("Actions to decarbonise activities within existing business models"), since this dimension assesses the specific actions the company introduces in order to decarbonise the activities that make up its existing business model.

For example, an integrated brand may produce clothes with GHG emissions that are not substantially lower than the sector or industry average. By introducing low-carbon activities such as recovering and using waste in the process as raw materials, the company may contribute to reducing the GHG emissions of its business model such that they are substantially lower than the sector or industry average. Low-carbon activities include the following:

**Sustainable production:**

- Local and small-Scale Production: Companies that are adopting local and small-scale production methods to reduce transportation-related emissions and support local economies.
- Pre-order systems: Promoting a more sustainable and efficient production and stock management. Since products are produced based on confirmed orders, likelihood of unsold inventory ending up as waste is reduced. This reduction in waste aligns with sustainable and environmentally conscious business practices. By producing items based on pre-order quantities, brands can avoid the pitfalls of overstocking. This is particularly beneficial in an industry where trends and consumer preferences can change rapidly.

- Optimization of promotional activities

## • FA 9.1 LOW-CARBON BUSINESS MODELS AND ACTIVITIES (WEIGHTING: 10%)

**SHORT DESCRIPTION OF INDICATOR**

This indicator assesses the specific changes the company is making to its business in order to achieve its low-carbon transition. These changes include introducing and expanding new low-carbon business models and decarbonizing existing high-carbon business models through low-carbon business activities.

**DATA REQUIREMENTS**

The questions comprising the information request that are relevant to this indicator are:

- For each business model: description, size (as a percentage of total FTE from Fashion activities, revenue, or relevant activity-based metric of size), and growth potential and timelines
- For each decarbonisation action: description, growth potential and timelines, life cycle phases impacted.

Public sources of data used for the analysis of this indicator include, but are not limited to:

- Company financial/sustainability reports
- Company low-carbon transition plan

**HOW THE ASSESSMENT WILL BE DONE**

The assessment is based on two dimensions. The assessor scores each of the company's decarbonisation initiatives (including creation/expansion of low-carbon business models and actions to decarbonise activities within existing business models against the relevant dimension. The section "Calculation of the score" explains how the final score for the indicator is calculated.

### DIMENSION 1 – CREATION/EXPANSION OF LOW-CARBON BUSINESS MODELS (80%)

This dimension assesses the size and scheduled growth of new (started *within* five years before the reporting year) and existing (started *before* five years before the reporting year) low-carbon business models, as well as the business models' relative importance for the global low-carbon transition.

Since ACT's focus is on company-level decarbonisation, "creation/expansion of low-carbon business models" may include acquiring existing low-carbon assets or business divisions from another entity, as well as organically growing a new, low-carbon business model within the company *(please see section "low-carbon business models" in Module 9: Business Model introduction for more information).*

| Question | Basic | Advanced | Low-carbon aligned | Weighting |
|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***50%*** | ***100%*** | |
| **Size of business model (if started *within* RY-5)** | Business model represents <1% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | Business model represents 1 to 5% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | Business model represents >5% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | 40% |
| **Size of business model (if started *before* RY-5)** | Business model represents 0 to <5% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | Business model represents 5 to 20% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | Business model represents >20% of total FTE from Fashion activities, revenue, or relevant activity-based metric of size | |
| **Scheduled growth of business model** | Business model not scheduled to grow (based on total FTE from Fashion activities, revenue, or relevant activity-based metric of size) | Business model scheduled to grow (based on total FTE from Fashion activities, revenue, or relevant activity-based metric of size) | Business model scheduled to at least double in size within RY+5 (based on total FTE from Fashion activities, revenue, or relevant activity-based metric of size) | 30% |
| **Maturity and deployment schedule** | The maturity of the business model is not estimated or low and/or its deployment is not scheduled | The business model is not fully mature yet and/or its deployment is scheduled with a 2-year horizon or less | The business model is mature and/or already deployed | 30% |

The minimum requirement for points to be awarded is that some level of exploration of one or more of these relevant business areas has started. This could include participation in collaborations, pilot projects, or research funding.

### DIMENSION 2 – ACTIONS TO DECARBONISE ACTIVITIES WITHIN EXISTING BUSINESS MODELS (20%)

This dimension relates to changes (actions) the company is making to decarbonise the activities which make up its existing business model (which may be high- or low-carbon) in order to make the overall business model lower-carbon. *For more information, please see Module 9: Business Model introduction.*

| Question | Basic | Standard | Advanced | Next practice | Low-carbon aligned | Weighting |
|---|---|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***25%*** | ***50%*** | ***75%*** | ***100%*** | |
| ***What percentage of the activity does this decarbonisation action apply to?*** | Decarbonisation action applies to ≤ 25% of the activity being considered | Decarbonisation action applies to 26 to 50% of the activity being considered | Decarbonisation action applies to 51 to 75% of the activity being considered | Decarbonisation action applies to 76 to 95% of the activity being considered | Decarbonisation action applies to > 95% of the activity being considered | 25% |
| ***Scheduled growth of decarbonisation action*** | Decarbonisation action is not scheduled to grow (based on total FTE from Fashion activities, spend, or relevant activity-based metric of size) | - | Decarbonisation action is scheduled to grow (based on total FTE from Fashion activities, spend, or relevant activity-based metric of size) | - | Decarbonisation action is scheduled to at least double in size within RY+5 (based on total FTE from Fashion activities, spend, or relevant activity-based metric of size) | 25% |
| ***Relevance of the decarbonisation action*** | Action does not impact any of the most relevant activities/life-cycle phases of the business model being considered in terms of GHG emissions | - | Action impacts a relevant activity/life-cycle phase of the business model being considered in terms of GHG emissions | - | Action clearly targets and impacts the most relevant activity(ies)/life-cycle phase(s) of the business model being considered in terms of GHG emissions | 25% |
| ***Maturity and deployment schedule*** | The maturity of the decarbonisation action is not estimated or low and/or its deployment is not scheduled | | The decarbonisation action model is not fully mature yet and/or its deployment is scheduled with a 2-year horizon or less | | The decarbonization action is mature and/or already deployed | 25% |

The minimum requirement for points to be awarded is that some level of exploration of one or more of these relevant business areas has started. This could include participation in collaborations, pilot projects, or research funding.

## CALCULATION OF THE SCORE

- Indicator 9.1: The assessor identifies all relevant business model changes the company is making and evaluates the most mature (e.g. the business model allowing the company assessed to achieve the highest score on the maturity matrix). Although only the most mature business model is assessed through this indicator, the company should provide information on all the business models explored as it could be valorized through the narrative score.
    - For example, if the company has introduced multiple new, low-carbon business models within the last 5 years, these should all be scored individually in dimension 1. If the company is also expanding another low-carbon business model, which it started more than 5 years ago, this should also be scored in dimension 1. If the company is taking action to decarbonise several of the main activities that form its existing, high-carbon business model, these should all be scored individually in dimension 2.
    - The final score for indicator 9.1 is calculated based on the highest scoring example from each dimension.
        - For example, if the assessor identifies three examples of business models for dimension 1, two examples of decarbonisation actions for dimension 2, then the highest-scoring examples from each of these dimensions should be taken and contribute towards the final score for the indicator. The other examples will be taken into account in the narrative score.
    - The weightings for the indicator 9.1 dimensions are as follows:
        - **Dimension 1** – Creation/expansion of low-carbon business models (80%)
        - **Dimension 2** – Actions to decarbonise activities within existing business models (20%)

**RATIONALE** **FA 9.1 LOW-CARBON BUSINESS MODELS AND ACTIVITIES**

**RATIONALE OF THE INDICATOR**

- The rationale for the indicator 9.1 dimensions weightings is that the module is designed to assess the company's transition into new, low-carbon business models outside of its core business model, in order to diversify its activities and stay profitable in a low-carbon economy. For this reason, dimension 1, "Creation/expansion of low-carbon business models", has the highest weighting between the indicator 9.1 dimensions (80%). It is also recognised that companies must not only branch out into new, low-carbon business models, but must also take action to decarbonise their existing, core activities, hence the inclusion of dimension 2, "Actions to decarbonise activities within existing business models". However, since company progress on decarbonisation is already partially taken into account in various other ACT performance indicators (such as trend in past and future emissions intensity, low-carbon investment, etc.), this dimension is given a lower weighting (20%).

## • FA 9.2 VOLUMES REDUCTION STRATEGY (WEIGHTING: 5%)

## DESCRIPTION & REQUIREMENTS

### FA 9.2 VOLUMES REDUCTION STRATEGY

**SHORT DESCRIPTION OF INDICATOR**

This section assesses the company's potential to move away from a high-volumes sales strategy. Indeed, if Fashion companies multiply their efforts in developing low-carbon products (i.e. reducing products' carbon intensity), another lever is to reduce the sold volumes.

**DATA REQUIREMENTS**

The relevant data for this indicator are:

- Company low-carbon transition plan
- Company's internal documentation on growth strategy (e.g. steering committee minutes)

CDP Questionnaire 2023 mapping to this indicator:

- C4.1c

External sources of data used for the analysis of this indicator are:

- Sector decarbonisation reports identifying the key action levers for a sector to decarbonise.

**HOW THE ASSESSMENT WILL BE DONE**

The assessment will assign a maturity score based on the company's growth strategy regarding projected volumes.

| Question | Basic | Advanced | Low-carbon aligned | Weighting |
|---|---|---|---|---|
| ***Associated score*** | ***0%*** | ***50%*** | ***100%*** | |
| ***Are volumes integrated in the company's strategy?*** | Growth elements are not included into the company's strategy<br>OR<br>The company follows a business-as-usual pathway (i.e. does not plan to decrease the sold volumes). | The company plans to limit its growth in the future but there is no clear strategy or quantified volumes target. | The company has adopted a strategy to reduce its volumes in the future<br>AND<br>The strategy contains quantitative elements (projected volumes). | ***50%*** |

| | | | | |
|---|---|---|---|---|
| ***Is there a timeline for the implementation of such strategy?*** | The timeline is not mentioned<br>OR<br>The timeline expands over RY+20 years or more | The timeline expands over 10 to 19 years | The timeline expands over 0 to 9 years | ***50%*** |

The minimum requirement for points to be awarded is that some level of exploration of volumes reduction started.

**RATIONALE**

**FA 9.2 VOLUMES REDUCTION STRATEGY**

**RATIONALE OF THE INDICATOR**

**RELEVANCE OF THE INDICATOR:**

As one of the most important challenges of the Fashion sector is overproduction/overconsumption, volumes reduction is a key lever for companies operating within the Fashion value chain.

# 6. Assessment

## 6.1 SECTOR BENCHMARK

Results from an assessment using the ACT Fashion methodology shall clearly mention which benchmark(s) has been used and the rationale for this choice.

### 6.1.1 GENERAL CONSIDERATIONS ON DECARBONISATION BENCHMARKS

To address the heterogeneity of activities and players covered by ACT Fashion, we need benchmark decarbonisation pathways covering a company's most relevant emissions across all GHG emissions reporting scopes. The most relevant emissions for a company could be:

a. Direct emissions caused by the company activities (scope 1 emissions)
b. Indirect emissions caused by upstream activities (scope 2 emissions + scope 3 upstream emissions)
c. Indirect emissions caused by downstream activities (scope 3 downstream emissions)

See Sections 3 (Scope) and 4 (Boundaries) for more information on the activities and emissions assessed under this methodology.

All the benchmarks used by the ACT initiative are aligned at a minimum with a "well below 2°C" ambition, using the Beyond-2-Degree Scenario (B2DS) and Sustainable Development Scenario (SDS) from the International Energy Agency (IEA). The most recent developed or updated ACT methodologies benefit from benchmark pathways aligned with a 1.5°C ambition.

Benchmarks for sector specific ACT methodologies such as the cement or oil and gas or electricity use sector specific emissions intensity metrics based on physical units of activity as economic intensity metric presents strong biases. For example, the cement sector benchmark pathway is expressed in units of tonnes of CO2e per tonne of cement produced. For companies assessed under ACT Fashion there is no single benchmark pathway, for the following reasons:

- There is no one physical unit of activity that is relevant to all companies covered by the ACT Fashion methodology.
- At the company-scale, no single activity indicator captures all of the assessed company's emissions sources. For instance, tonnes of CO2e per unit of floor space may cover the emissions performance of a company's building use but it does not provide any information about the emissions performance of the company's transport activities or its industrial processes.

To address those challenges, the ACT Fashion methodology implements a combination of strategies to establish company benchmark decarbonisation pathways. These include:

- applying a mix of different relevant benchmarks

- selecting from appropriate available sector specific benchmarks

## • SECTOR SPECIFIC BENCHMARKS AND SECTORAL DECARBONISATION APPROACH (SDA)

When a sector benchmark is available, company specific benchmark pathways are calculated from sector benchmark pathways following the principles of the Sectoral Decarbonisation Approach (SDA) allocation method. This method was developed by the Science Based Targets initiative [16].

The SDA uses a convergence mechanism, which takes the company's emissions intensity in the reporting year (RY) and converges it to the sector's emissions intensity in 2050 at a rate that ensures that the corresponding sectoral carbon budget is not exceeded. Figure 16 illustrates the convergence mechanism and compares the company's target pathway with its benchmark/specific pathway as obtained with the SDA allocation method.

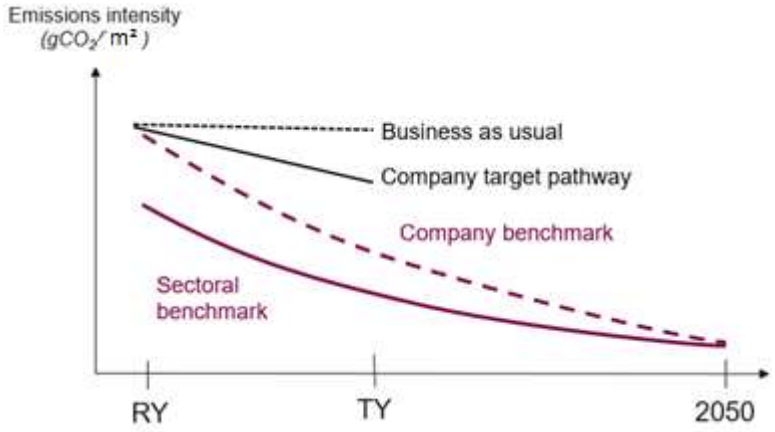



FIGURE 16: CONVERGENCE MECHANISM ILLUSTRATION

Thus, companies starting from a lower intensity will have a shallower decarbonisation pathway than companies starting from a higher intensity. In this way, past action or inaction to reduce intensity is taken into consideration.

**In the ACT Fashion methodology, the CRREM benchmark [33] is used to assess building emissions (retail activities).**

## • SBTI ABSOLUTE CONTRACTION APPROACH (ACA) BENCHMARKS

**When no sectoral benchmark is available, the company benchmark pathway is calculated using the Absolute Contraction Approach developed by SBTi [17].** This method requires all companies to reduce their absolute emissions at the same rate, as required by a given scenario. The benchmark follows the IPCC

Special Report on Global Warming of 1.5°C (SR15) for a 1.5°C trajectory [32]. To calculate the extent by which a company is expected to reduce its absolute emissions, two different cases can be identified:

- From the company's base year to 10 years later (until 2030), an annual linear decrease rate of 4.2% per year is applied. For target settings purpose, should the base year be more than 2020, an overall 42% reduction is required until 2030.
- For the following years out to 2050, the benchmark applies whatever on-going annual linear decrease is required to achieve an overall absolute emissions reduction of 90% by 2050 (or 72% for agriculture sector) [18].

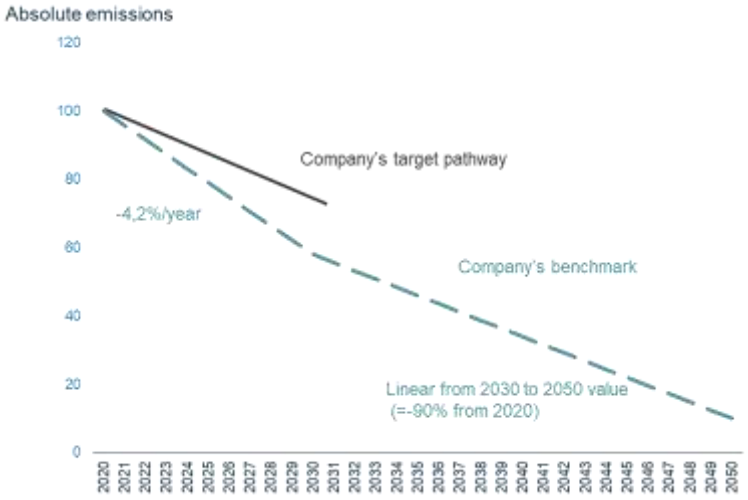



FIGURE 17: ABSOLUTE CONTRACTION MECHANISM ILLUSTRATION

## 6.2 WEIGHTINGS

Please note that in the following section, Fashion brands (whether they are integrated or non-integrated brands) and Pure retailers of Fashion products will be grouped together under the term Retailers.

The weightings (see table below) have been designed for each type of company covered by the ACT Fashion methodology in order to reflect the strategic stakes which are different from one company to another.

*NB: The weightings for Integrated Brands are not fixed as they are distributed according to the weighted average of their emissions coming from Manufacturing activities and from Retail activities. Please see section 3.2 Scope of the sector for more information.*

| ID | Indicator | Indicator weighting | | | | |
|---|---|---|---|---|---|---|
| | | Suppliers - Manufacturers (Finished products) | Suppliers - Manufacturers (Contract manufacturing) | Integrated brands | Non-integrated brands | Pure retailers |
| 1.1 | Alignment of scope 1 and 2 emissions reduction targets | 4% | 4% | 2-4% | 2% | 2% |
| 1.2 | Alignment of absolute scope 3 emissions reduction targets | 6% | 6% | 6-8% | 8% | 8% |
| 1.3 | Time horizon of targets | 3% | 3% | 3% | 3% | 3% |
| 1.4 | Achievement of current and previous targets | 2% | 2% | 2% | 2% | 2% |
| 2.1 | Trend in past emissions intensity | 5% | 5% | 2.5-5% | 2.5% | 2.5% |
| 2.2 | Trend in future emissions intensity | 10% | 15% | 2.5-15% | 2.5% | 2.5% |
| 2.3 | Pre-consumer waste reduction | 5% | 5% | 0-5% | 0% | 0% |
| 4.1 | Trend in past scope 3 emissions | 5% | 5% | 5-10% | 10% | 7.5% |
| 4.2 | Product-specific interventions – Raw materials | 5% | 0% | 0-10% | 10% | 5% |
| 4.3 | Product-specific interventions – Durability | 5% | 2% | 2-5% | 5% | 5% |
| 4.4 | Outbound transportation emissions performance | 2% | 0% | 0-3% | 3% | 2.5% |
| 4.5 | Unsold item quantity reduction | 0% | 0% | 0-2% | 2% | 2% |
| 5.1 | Oversight of climate change issues | 2% | 2% | 2% | 2% | 2% |
| 5.2 | Climate change oversight capability | 1% | 1% | 1% | 1% | 1% |
| 5.3 | Low-carbon transition plan | 3% | 3% | 3% | 3% | 3% |
| 5.4 | Climate change management incentives | 1% | 1% | 1% | 1% | 1% |
| 5.5 | Climate change scenario testing | 3% | 3% | 3% | 3% | 3% |
| 6.1 | Strategy to influence suppliers to reduce their GHG emissions | 5% | 2.5% | 2.5 -6% | 6% | 10% |
| 6.2 | Activities to influence suppliers to reduce their GHG emissions | 5% | 2.5% | 2.5-6% | 6% | 10% |
| 7.1 | Strategy to influence clients to reduce their GHG emissions | 5% | 10% | 5-10% | 5% | 5% |
| 7.2 | Activities to influence clients to reduce their GHG emissions | 5% | 10% | 5-10% | 5% | 5% |
| 8.1 | Company policy on engagement with trade associations | 1% | 1% | 1% | 1% | 1% |
| 8.2 | Supported trade associations do not have climate-negative activities or positions | 1% | 1% | 1% | 1% | 1% |
| 8.3 | Position on significant climate policies | 1% | 1% | 1% | 1% | 1% |
| 9.1 | Low-carbon business models and activities | 10% | 10% | 10% | 10% | 10% |
| 9.2 | Volumes reduction strategy | 5% | 5% | 5% | 5% | 5% |
| | | 100% | 100% | 100% | 100% | 100% |

TABLE 12: ACT FASHION WEIGHTINGS

- **RATIONALE FOR WEIGHTINGS**

The selection of weightings for both the modules and the individual indicators was guided by a set of principles in the ACT framework [6].

| Principle | Explanation |
|---|---|
| **Value of information** | The value of the information that an indicator gives about the outlook for a company's low-carbon transition is the primary principle for the choice of the weighting. |
| **Impact of variation** | A high impact of variation in an indicator means that a poor performance for this indicator has a large impact on the likely success of the company's low-carbon transition, and this makes it more relevant for the assessment. |
| **Future orientation** | Indicators that measure the future, or a proxy for the future, are more relevant for the ACT assessment than past & present indicators, which serve only to inform about the likelihood and credibility of the transition. |
| **Data quality sensitivity** | Indicators that are highly sensitive to likely data quality variations are not recommended for highly weighted indicators, unless there is no other way to measure a particular dimension of the transition. |

**Targets 15%**

The Targets module has a relatively large weight of 15%. Most of it (10%) is shared between two indicators: "Alignment of scope 1 and 2 emissions reduction targets" and "Alignment of scope 3 emissions reduction targets". Those 10% are allocated on a pro-rata basis according to the emissions breakdown between scope 1 and 2 emissions and scope 3 emissions: Suppliers/Manufacturers and Integrated Fashion brands' emissions are concentrated in their scopes 1 and 2 while the majority of non-integrated brands and pure retailers' emissions are scope 3 emissions.

The "Time horizon of targets" and "Achievement of past and current targets" indicators have a lower weighting of 3% and 2% respectively. The "Time horizon of targets" indicator is encouraging near-term and interim targets to ensure companies are not only relying on long-term ones. Finally, the "Achievement of past and current targets" indicator measures the company's past performance setting and achieving targets, which provides more contextual information on the company's ability to meet ambitious future targets.

## Direct operations 5-25%

This module assesses the development of the company's generation assets, and how these existing assets impact the likelihood of a low-carbon transition. Over the short-term, the company's current generation portfolio & confirmed planned assets are used to generate an estimate of the company's trend in future emissions intensity.

The assessment is mostly future-oriented, what justifies a higher weight for the sub-indicator "Trend in future emissions intensity" than for the sub-indicator "Trend in past emissions intensity".

Both indicators allow the company to see whether the past and planned short-term investments in its assets are enough to put it on a decarbonisation trajectory aligned with a well-below 2°C trajectory.

This module is therefore more relevant for Suppliers/Manufacturers with industrial processes than for Retailers with only few energy consumptions for operational purpose (stores, offices etc…) . The Direct operations module has a variable weight that ranges from 5% (for pure retailers and non-integrated brands) to 25% (for Suppliers/Manufacturers having contract manufacturing activities). The weight is allocated on a pro rata basis to modules 2 (Direct operations) and 4 (Indirect operations) determined by the weighting scheme matrix.

| Type of player | Weighting of Module 2 – Direct operations |
|---|---|
| Suppliers/Manufacturers (Finished products) | 20% |
| Suppliers/Manufacturers (Contract manufacturing) | 25% |
| Integrated Fashion brands | 5-25% |
| Non-integrated Fashion brands | 5% |
| Pure retailers | 5% |

## Intangible Investment 0%

The R&D in climate change mitigation technologies indicator is focused on the company's intangible investments or financial costs into climate change mitigation technologies.

However, as detailed in section 5, the evaluation of this module is not relevant for Fashion companies because their R&D efforts are directed towards initiatives that are valorized in other sections of ACT Fashion (Direct operations and Indirect operations). The weight of this module is therefore set to 0%.

## Indirect operations 7-30%

This module carries by far the largest weight out of all the modules. This is because it holds most of the information about the company's actions to reduce emissions on its products, where most of the emissions lie. Therefore, there is a high potential for mitigation (raw/secondary material sourcing, durability, transportation) and also a high impact of variation in this indicator. It also contains valuable information about how the Retailer is leveraging its market position to incite change at the supplier and client levels for its products.

This module is especially relevant for Retailers with more action levers regarding the rest of the value chain (clients and suppliers). The Indirect operations module has a variable weight that ranges from 7% to 30%. The weight is allocated on a pro rata basis to modules 2 (Direct operations) and 4 (Indirect operations) determined by the weighting scheme matrix.

| Type of player | Weighting of Module 2 – Direct operations |
|---|---|
| Suppliers/Manufacturers (Finished products) | 17% |
| Suppliers/Manufacturers (Contract manufacturing) | 7% |
| Integrated Fashion brands | 7-30% |
| Non-integrated Fashion brands | 30% |
| Pure retailers | 22% |

## Governance 10%

Governance is a multi-faceted module that makes up 10% of the score, because it incorporates many different smaller indicators that together paint a picture of the company's management and strategic approach to the low-carbon transition. A significant part of the weighting is placed on the oversight of climate change issues and the climate change oversight capability, which are respectively weighted 2% and 1%. These two indicators measure the ability of the company to integrate sustainability to its strategy and to embrace the main challenges related to low-carbon transition. Besides, according to the principle of future orientation, the transition plan provides more information on how this company will specifically deal with the transition, and has a weight of 3%.

The remaining indicators (climate change management incentives and climate change scenario testing) have a weight of 1% and 3% respectively. These are contextual indicators whose outcome can either strengthen or undermine the company's ability to carry out the transition plan and meet ambitious science-based targets.

### Supplier engagement 5-20%

In order to decarbonise the whole economy, it is essential that all stakeholders get involved.

Depending on their significant scope 3 emissions breakdown (upstream emissions vs. downstream emissions) and levers, companies will have to focus on either their supplier's engagement or their client's engagement towards decarbonisation. The modules "Supplier engagement" and "Client engagement" are therefore weighted on a pro-rata basis, determined by the performance weighting scheme matrix. The two indicators within the "Supplier engagement" module (strategy to influence suppliers to reduce their GHG emissions and activities to influence suppliers to reduce their GHG emissions) are equally weighted.

Supplier engagement is not easily measurable and the quality of the analysis relies on data quality. More specific actions and collaborations, which relate to one or more specific product (durability, raw materials) are captured in Module 4.

For **Pure retailers**, most of the GHG emissions come from upstream, so they have more at stake in engaging their suppliers than other models assessed by ACT Fashion (i.e. Suppliers/Manufacturers and integrated/non-integrated brands). Thus, the highest weightings are allocated to Pure retailers (20%) and non-integrated Fashion brands (12%). Engaging the upstream of the value chain is one of the most important levers for suppliers of finished products, where integrated brands and suppliers having contract manufacturing activities have other decarbonation levers directly in their hands (design, processes, raw materials supplies…).

| Type of player | Weighting of Module 2 – Direct operations |
|---|---|
| Suppliers/Manufacturers (Finished products) | 10% |
| Suppliers/Manufacturers (Contract manufacturing) | 5% |
| Integrated Fashion brands | 5-12% |
| Non-integrated Fashion brands | 12% |
| Pure retailers | 20% |

## Client engagement 10-20%

In order to decarbonise the whole economy, it is essential that all stakeholders get involved.

The client engagement module is focused on the company's efforts to reduce the emissions generated after the goods have been sold and to influence customer practices towards low-carbon consumption and circular economy practices. As Supplier engagement, Client engagement is not easy to measure, and relies heavily on data quality to make a proper analysis. This indicator therefore focuses on the global strategy and general activities that a Supplier/Manufacturer or a Retailer has in place on to engage its customers. More specific actions and collaborations, which relate to one or more specific product (durability, raw materials) are captured in Module 4.

Pure retailers and non-integrated brands have more influence over the final consumer than Suppliers/Manufacturers and integrated brands. Thus, 10% are allocated to Pure retailers and non-integrated brands and 5% are allocated to Suppliers/Manufacturers (finished products) and non-integrated brands.

The case of Suppliers / Manufacturers (contract manufacturing) is very specific. They have only few decarbonation levers in their hands as they are producing on demand from brands (clients). So client engagement is key to decarbonise their Scope 3 emissions (upstream emissions with raw materials extraction as well as downstream emissions with transportation and retail activities.

| Type of player | Weighting of Module 2 – Direct operations |
|---|---|
| Suppliers/Manufacturers (Finished products) | 10% |
| Suppliers/Manufacturers (Contract manufacturing) | 20% |
| Integrated Fashion brands | 10-20% |
| Non-integrated Fashion brands | 10% |
| Pure retailers | 10% |

## Policy engagement 3%

In line with the rationale for the Governance indicators of low weight, the policy engagement indicators are also contextual aspects which tell a narrative about the company's stance on climate change and how the company expresses it in their engagement with policy makers and trade associations. The total weight for this module is therefore at 3%. The company policy on engagement with trade associations, the company's position on relevant climate policies and the indicator "FA 8.2 Associations, alliances, coalitions and thinktanks supported do not have climate-negative activities or positions" are allocated a 1% weight each.

## Business model 15%

The module captures many elements and aspects that cannot otherwise be captured in any of the other modules. It includes those aspects that are relevant to the transition but are not directly a part of the primary activities. It is future-oriented by asking the companies on its narrative on certain future directions it can/has to take is standard to enable the transition.

This module has two dimensions: the first dimension assesses the company's efforts in developing low-carbon business models and activities and is weighted at 10% while the second aims to evaluate the company's projected volumes evolution in the future and is weighted at 5%.

## 6.3 DATA REQUEST

Table 13 introduces the list of information that will be requested to companies through a questionnaire, as well as the corresponding indicators.

TABLE 13: DATA REQUEST PER INDICATOR

| Module | Indicators | Data request |
|---|---|---|
| 1 - Targets | 1.1<br>1.2 | Target year<br>Emissions reduction between reporting year and target year<br>Coverage of emissions<br>Base year and base year emissions<br>Reporting year and reporting year absolute emissions<br>Scope of emissions |
| | 1.3 | Target year (longest time horizon and intermediate targets)<br>Scope of emissions<br>Emission sources covered by the target |
| | 1.4 | Base year<br>Start year<br>Target year<br>Percentage of reduction target from base year in absolute emissions<br>Percentage of absolute emissions reduction target achieved<br>Percentage of reduction target from base year in emissions intensity<br>Percentage of emissions intensity reduction target achieved<br>Percentage of scope 1+2, or scope 1+2+3 emissions covered by the targets, depending on the company profile |
| 2 - Direct operations | 2.1 | Scope 1 and 2 emissions intensity and activity at reporting year and reporting year minus five years<br>Total direct emissions from direct operations and activity at reporting year and reporting year minus five years |
| | 2.2 | Scope 1 and 2 emissions intensity and activity at reporting year and reporting year plus five years<br>Total direct emissions from direct operations and activity at reporting year and reporting year plus five years |
| | 2.3 | Documents/reports related to pre-consumer waste reduction (interventions and targets) |
| 4 – Indirect operations | 4.1 | Scope 3 emissions at reporting year and reporting year minus five years<br>Details on the methodology used for scope 3 emissions calculation |
| | 4.2 | Intervention on products and services reporting tool |
| | 4.3 | Interventions on products related to durability improvements |
| | 4.4 | Details on GHG emissions reporting from transportation companies<br>Details on targets<br>Details on strategy and implemented actions to reduce these indirect GHG emissions |
| | 4.5 | Documents/reports related to unsold item quantity reduction (interventions and targets) |
| 5- Governance | 5.1 | Environmental policy and details regarding governance<br>Position of the individual or name of the committee responsible for climate change topics |
| | 5.2 | |
| | 5.3 | Environmental policy and details regarding governance<br>Description of the transition plan |
| | 5.4 | Management incentives |
| | 5.5 | Details on climate change scenario testing |

| Module | Indicators | Data request |
|---|---|---|
| 6 - Supplier engagement | 6.1 | Methods of supplier engagement, strategy for prioritizing supplier engagements and measures of success<br>Number of suppliers engaged, and proportion of total spend (or share of emissions as a proxy)<br>Data on suppliers' GHG emissions and climate change strategies |
| | 6.2 | List of initiatives and activities implemented to influence suppliers to reduce their GHG emissions, green purchase policy or track record, supplier code of conduct |
| 7 - Client engagement | 7.1 | Strategy to influence clients GHG emissions<br>% of clients covered by the strategy<br>Data on clients' choices and preferences for reducing GHG emissions |
| | 7.2 | Strategy to influence clients GHG emissions<br>% of clients covered by the activities<br>Data on clients' choices and preferences for reducing GHG emissions |
| 8- Policy engagement | 8.1 | Public climate change policy positions<br>Description of this policy (scope & boundaries, responsibilities, process to monitor and review)<br>Trade associations that are likely to take a position on climate change legislation |
| | 8.2 | Company policy on engagement with associations, alliances, coalitions or thinktanks |
| | 8.3 | Position of the company on significant climate policies (public statements, etc.). |
| 9 - Business Model | 9.1 | Revenue from low-carbon products and services each year from RY-3 to RY, total revenue for the same years, and description of the types of products and services the company considers to be low-carbon<br>For each business model: description, size (as a percentage of total FTE from Fashion activities, revenue, or relevant activity-based metric of size), and growth potential and timelines |
| | 9.2 | Company low-carbon transition plan<br>Company's internal documentation on growth strategy (e.g. steering committee minutes) |

# 7. Rating

The ACT rating shall comprise:

- → A performance score
- → A narrative score
- → A trend score

These pieces of information shall be represented within the ACT rating as follows:

a) **Performance score** as a number from 0 (lowest) to 100 (highest)

b) **Narrative score** as a letter from E (lowest) to A (highest)

c) **Trend score** as either "+" for improving, "-" for worsening, or "=" for stable.

The highest rating is thus represented as "100A+", the lowest as "0E-" and the midpoint as "50C=".

TABLE 14: HIGHEST SCORE FOR EACH ACT SCORE TYPE

| | |
|---|---|
| The highest available ACT rating is<br><br>100 A + | A **performance rating** of **100**: the company received maximum scores against all the methodology indicators. |
| | An **assessment rating** of **A:** the information reported by the company and available from public sources is consistent and shows that the company is well aligned to transition to the low-carbon economy |
| | A **trend rating** of +: the information provided shows the company will be better placed to transition to the low-carbon economy in future. |

Each company assessed using an ACT methodology receives not only an ACT rating but a commentary on its performance across the three aspects of the rating. This gives a nuanced picture of the company's strengths and weaknesses. Detailed information on the ACT rating is available in the ACT Framework document [6].

## 7.1. PERFORMANCE SCORING

Performance scoring shall be performed in compliance with the ACT Framework [6]. The list of performance modules and indicators and their respective weightings (which vary depending on the profile and activities of the assessed company) is provided in section 6.3.

## 7.2. NARRATIVE SCORING

Narrative scoring shall be performed in accordance with the ACT Framework [6]. The ACT Framework provides a detailed methodology and maturity matrix for completing the Narrative scoring process.

In the Business model sub-section of the narrative scoring, particular attention will be given to how the company intends to move away from the logic of high-volumes sales in the future.

## 7.3. TREND SCORING

Scoring shall be performed in compliance with the ACT Framework [6].

To apply the trend scoring methodology presented in the ACT Framework, the assessor should identify the trends based on the data points and/or indicators that indicate the future direction of change within the company.

Table 15 highlights which indicators/data points contain valuable information about future direction.

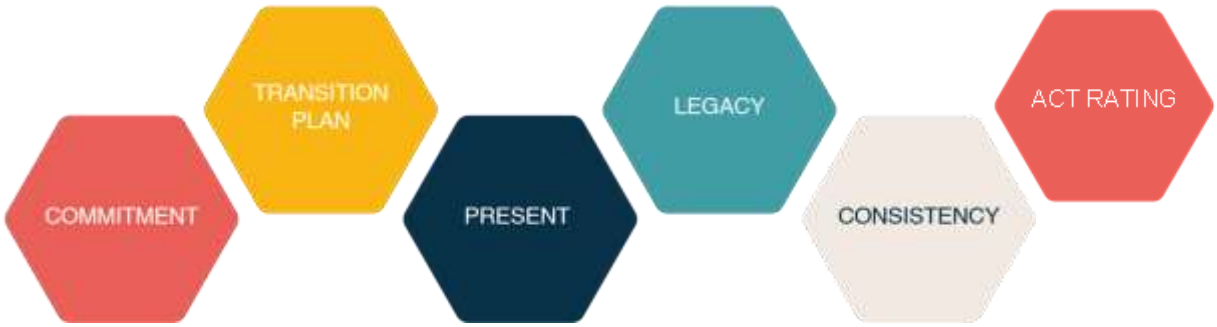
TABLE 15: RELEVANT PERFORMANCE INDICATORS FOR TRENDS IDENTIFICATION

| Module | Indicator |
|---|---|
| **Targets** | FA 1.1 Alignment of scope 1 and 2 emissions reduction targets<br>FA 1.2 Alignment of scope 3 emissions reduction targets<br>FA 1.3 Time horizon of targets |
| **Direct operations** | FA 2.2 Trend in future scope 1 and 2 emissions from direct operations<br>FA 2.3 Pre-consumer waste reduction |
| **Indirect operations** | FA 4.2 Product-specific interventions – raw materials<br>FA 4.3 Product-specific interventions – durability<br>FA 4.5 Unsold item quantity reduction |
| **Governance** | FA 5.3 Low-carbon transition plan<br>FA 5.5 Climate change scenario testing |
| **Business model** | FA 9.1 Changes in business models<br>FA 9.2 Volumes reduction strategy |

# 8. Aligned state

Figure 18 below presents the response of a low-carbon aligned company of the sector to the 5 questions of ACT:

- → What is the company planning to do? [Commitment]
- → How is the company planning to get there? [Transition Plan]
- → What is the company doing at present? [Present]
- → What has the company done in the recent past? [Legacy]
- → How do all of these plans and actions fit together? [Consistency]




| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| The company has set GHG emissions reduction targets aligned with science, covering both near and long terms for the relevant scopes. The company identifies volume reduction as a lever to reach the targets set. | The company understands where in the value chain the majority of its embedded emissions are. Therefore, the company discloses a transition plan that details operational steps to achieve its objectives, including incentives to reduce the footprint of the raw materials used and to decrease its volumes in the future. | The company has developed an investment strategy to implement new low-carbon business models such as second hand. Efforts to reduce scope 1 and 2 emissions is also part of the transition plan but focus is mainly on initiatives to increase products' durability (covering a wide range of products) and to engage its whole value chain. | The company has reduced its GHG emissions over the last five years aligning with a low-carbon pathway. The company has successfully increased the durability of its products and decreased the carbon footprint of the raw materials it uses (both in intensity and absolute). | The company's targets, transition plan, present and past actions show a consistent willingness to achieve the goals of the transition. The company is involved in sectoral initiatives to reduce the impact of Fashion and supports climate policies. |

FIGURE 18: ALIGNED STATE FOR COMPANIES

# 9. Sources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# 10. Glossary

| | |
|---|---|
| **ACT** | The ACT Initiative, founded by ADEME in partnership with CDP in 2015, is now hosted by the World Benchmarking Alliance (WBA). It has been the pioneer international initiative creating a business climate accountability framework with sectoral methodologies to assess companies' strategies and transition plans. Formally launched at COP 21, the ACT Initiative has published various methodologies over the last years, including the ACT assessment methodologies for assessing corporate low-GHG emissions transition and adaptation plans. ACT has been renamed Accelerate Climate Transition Initiative in 2024 (ACT website). |
| **ACTION GAP** | In relation to emissions performance, the action gap is the difference between a company's actions, past and current, and what it still has to do. For example, companies that have done relatively little in the past and have current actions that point to the continuation of past practices, will have large action gaps. |
| **ACTIVITY DATA** | Quantitative or numeric data on the activity of the company resulting in emissions or removals during a given period. |
| **ADEME** | Agence de la Transition Ecologique; The French Agency for Ecological Transition (ADEME webpage). |
| **ALIGNMENT** | An ACT assessment generates a score to illustrate how a company's transition aligns with a low-GHG emissions economy. Some performance indicators provide a metric of the alignment of a company with its 1.5°C (GHG emissions reduction) pathway. |
| **ASSESS** | Under the ACT Initiative, this means to evaluate and determine the low-GHG emissions alignment of a given company. The ACT assessment and performance scoring are based on a range of indicators. Data required for the assessment may be reported directly by companies or collected, calculated, modelled or otherwise derived from different data sources provided by the company. |
| **ASSESSOR** | Person undertaking and scoring the ACT assessment. |

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| **Asset** | A resource owned by a company which has value because of its ability to generate revenues, cash, profits through time. Tangible assets include 1) fixed assets, such as machinery and buildings, and 2) current assets, such as inventory. Intangible assets are non-physical such as patents, trademarks, copyrights, goodwill and brand value. |
| **Barrier** | A circumstance or obstacle preventing progress (e.g. lacking information on supplier emissions and hotspots can be a barrier to companies managing and reducing their upstream indirect emissions). |
| **Base year** | According to the GHG Protocol and ISO14064-1, a base year is "a historic datum (a specific year or an average over multiple years) against which a company's emissions are tracked over time". Setting a base year is an essential GHG accounting step that a company must take to be able to observe trends in its emissions information (**GHG Protocol Corporate Standard**). |
| **Benchmark** | A standard, pathway or point of reference against which things may be compared. In the case of pathways for sector methodologies, a sector benchmark is a low-carbon pathway for the sector average value for emissions intensity indicator(s) driving the sector performance. A company's benchmark is a company specific pathway that starts at the company performance for the reporting year and converges towards the sector benchmark in 2050 (or other relevant date), based on a principle of convergence or contraction of emissions intensity. |
| **Board** | Also the "Board of Directors" or "Executive Board"; the group of persons appointed with joint responsibility for directing and overseeing the affairs of a company. |
| **Business model** | A company's core strategy for generating value. It includes sources of revenue, the intended client base, products, and details of financing. Under the ACT methodologies, evidence of the existing and new business models shall be taken from a range of specific financial and other metrics relevant to the sector and an assessment made on its alignment with the low-carbon transition. |
| **Business-as-usual** | An assumption that activity and emissions remain the same into the future. The business-as-usual pathway assumes constant activity and emissions from the initial year onwards. In general, the initial year – which is the first year of the pathway/series – is the reporting year (targets indicators) or the reporting year minus 5 years (certain performance indicators). |

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| **Capital expenditure** | Money spent by a company on acquiring or maintaining fixed assets, such as land, buildings, and equipment. |
| **Carbon Capture and Storage (CCS)** | Process of trapping carbon dioxide produced by burning fossil fuels or other chemical or biological processes and storing it in such a way that it cannot contribute to climate warming. |
| **Carbon offsets** | Instruments used to convey the mitigation outcome of an intervention to reduce or remove GHG emissions. These credits are usually measured in tonnes of carbon dioxide equivalent ($tCO_2e$) and can be issued for projects that avoid, reduce or remove emissions, where generally one credit is equivalent to one tonne of $CO_2e$. |
| **CDP** | CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000, it works with more than 680 financial institutions having over USD 130 trillion in assets. Nearly 20,000 organisations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of the global market capitalisation, and over 1,100 cities, states and regions (**CDP website**). |
| **Climate change** | A change in climate, attributed directly or indirectly to human activity, caused by the alteration of the composition of the atmosphere and that is, in addition to natural climate variability, observed over comparable time periods (**UNFCCC**). |
| **Commitment gap** | In relation to emissions performance, the difference between what a company needs to do (considering the expectations from its GHG emissions reduction pathway) and what it intends to do. |
| **Company** | Legal entity formed by one or more individuals to engage in and operate a business (**Investopedia**). |
| **Company target pathway** | The emissions performance pathway that the company has committed to follow from an initial year until a future year, for which it has set a performance target. |
| **Confidential information** | Any non-public information pertaining to a company's business. |
| **Conservativeness** | An assessment principle of the ACT Framework, aiming at ensuring that companies' performance is not particularly overestimated when some |

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|---|---|
| | assumptions are used to get data and information to meet the assessment requirements. |
| **CONSISTENCY** | An assessment principle of the ACT framework, aiming at ensuring that whenever time series data is used, it is comparable over time. In addition to internal consistency of the indicators reported by the company, data reported against indicators should be consistent with other information about the company and its business model and strategy found elsewhere. The assessor should consider specific, predetermined data points and check that these give a consistent measure of performance when measured together. |
| **COP21** | The 2015 United Nations Climate Change Conference, held in Paris, France from 30 November to 12 December 2015 (**COP21 webpage**). |
| **DATA** | Facts and statistics collected together for reference and analysis (e.g. the data points requested from companies to evaluate their performance for the indicators included in the ACT assessment methodologies). |
| **DECARBONISATION** | Complete or near-complete reduction of GHG emissions over time (e.g. decarbonisation in the electric utilities sector through an increased share of low-GHG emissions power generation sources, as well as emissions-mitigating technologies like carbon capture and storage).<br><br>Existing definitions of decarbonisation in literature either focus solely on $CO_2$ emissions or all GHG emissions resulting from human activities. When relevant for the sector, ACT methodologies consider decarbonisation to include all GHG emissions, and uses this term to define measures that companies take to prevent, reduce or remove sources of GHG emissions within their value chain. |
| **DECARBONISATION PATHWAY** | Benchmark pathway (See 'Benchmark') |
| **DURABILITY** | Ability of a Fashion product to withstand wear and tear over an extended period without significant deterioration in its quality, appearance, or functionality. It is a measure of the product's resilience and longevity, reflecting its ability to maintain its original condition and aesthetic appeal even with regular use. |
| **EMISSIONS** | The GHG Protocol defines **direct** GHG emissions as emissions from sources that are owned or controlled by the reporting entity, and **indirect** GHG emissions as emissions that are a consequence of the activities of the reporting |

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| | entity but occur at sources owned or controlled by another entity (GHG Protocol).<br><br>In this methodology, “emissions” refers to greenhouse gas emissions. |
| **EMISSIONS INTENSITY** | Average emissions rate of a given GHG from a given source relative to the level of activity; for example, tonnes of $CO_2$ released per megawatt-hour (MWh) of energy produced by a power plant. |
| **FOSSIL FUEL** | Fossil based fuel such as coal, oil or gas, formed in the geological past from the remains of living organisms. |
| **GREENHOUSE GAS (GHG)** | Carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_2O$) and three groups of fluorinated gases, namely sulphur hexafluoride ($SF_6$), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs), are the major anthropogenic GHGs and are regulated under the Kyoto Protocol. Nitrogen trifluoride ($NF_3$) is now considered a potent contributor to climate change and is therefore mandated to be included in national GHG inventories under the United Nations Framework Convention on Climate Change (UNFCCC). |
| **GUIDANCE** | Documentation defining standards or expectations that are part of a rule or requirement (e.g. CDP reporting guidance for companies). |
| **HORIZON GAP** | In relation to emissions performance, the difference between a relevant definition of the long term (depending on sector specificities) and the time-horizon of a company’s commitments. Companies with small time horizons do not look far enough into the future to properly ensure the transition of their assets and business models. |
| **INCENTIVE** | Certain reward that motivates or encourages an individual or organisation to do something (e.g. a monetary incentive for company board members to set emissions reduction targets). |
| **INDICATOR** | Quantitative or qualitative piece of information that can provide insight on a company’s current and future ability to transition to a low-GHG emissions economy. Indicators make up the different modules of the ACT performance scoring. |
| **INTERVENTION** | Methods available to companies to influence and manage emissions in their value chain, both upstream and downstream, which are out of their direct control (e.g. a retail company may use consumer education as an intervention |

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| | to influence consumer product choices in a way that reduces emissions from the use of sold products). |
| **Lifetime** | Duration of something's existence or usefulness (e.g. a physical asset such as a power plant). |
| **Low-carbon benchmark pathway** | Benchmark pathway (See 'Benchmark') |
| **Low-carbon scenario (or pathway)** | A low-carbon scenario (or pathway) is a well-below 2°C or a 1.5°C scenario or a scenario with higher decarbonisation ambition. |
| **Low-carbon solution** | A way to contribute to the low-GHG emissions transition (e.g. energy, technology, process, product, service). In this ACT Framework, 'low-carbon' is not restricted to $CO_2$ only and includes any relevant GHG. |
| **Low-carbon transition** | The low-carbon transition is the transition of the economy to a low-carbon state. |
| **Maturity matrix** | Scoring tool used in ACT methodologies to assess topics in a qualitative way. Maturity matrices are found in the three components (performance, narrative and trend) of the ACT scoring. |
| **Mitigation (emissions)** | Action of reducing the severity of something (e.g. climate change mitigation through absolute GHG emissions reductions) |
| **Model** | A program designed to simulate what might or what did happen in a situation (e.g. climate models are systems of differential equations based on the basic laws of physics, fluid motion, and chemistry that are applied through a 3-dimensional grid simulation of the planet Earth). |
| **Near-term** | Occurring in or relating to a relatively short period of time in the future, typically the 5-10 years following the reporting year. |
| **Pathway (GHG emissions reduction)** | A way of achieving a specified result; a course of action (e.g. an emissions reduction pathway).<br><br>'1.5°C pathway' is used when speaking about pathways aiming at limiting global warming to 1.5°C. |

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| **Performance** | Outcomes and results. ACT assessment methodologies assess performance using a variety of indicators across various modules. |
| **Plan** | A detailed proposal for doing or achieving something. |
| **Point** | A mark or unit of scoring awarded for success or performance. |
| **Relevant / Relevance** | An assessment principle of the ACT Framework, aiming at capturing the most appropriate information (regarding core business and stakeholders) to assess companies' transition to a low-GHG emissions economy. |
| **Renewable energy** | Energy derived from natural sources that are replenished at a higher rate than they are consumed, such as wind or solar power (UN – Climate Action). |
| **Reporting year** | Specific year for which data is collected for the assessment. Reporting year does not necessarily align with the publication year of a company's report, as companies often release data for the previous year (e.g. data for 2023 is published in 2024). |
| **Research and Development (R&D)** | General term for activities in connection with innovation; in industry; for example, this could be considered work directed towards the innovation, introduction, and improvement of products and processes. |
| **Scenario** | A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change. Climate scenarios often make use of climate projections (descriptions of the modelled response of the climate system to scenarios of GHG and aerosol concentrations), by manipulating model outputs and combining them with observed climate data (IPCC - Climate Scenario Development). |
| **Scenario analysis** | A process of analysing possible future events by considering alternative possible outcomes. |
| **Science-Based Target** | Company goal or emissions reduction target that is aligned with climate science in its ambition to limit the increase in global average temperature to below 2°C, ideally 1.5°C, and is verified by a competent institution, such as the Science-Based Targets Initiative. |

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| **Scope 1 emissions**<br><br>**Direct GHG emissions and removals** | All direct GHG emissions (GHG Protocol Corporate Standard).<br><br>Category 1 from ISO 14064-1:2018: 'Direct GHG emissions and removals occur from GHG sources or sinks inside organisational boundaries and that are owned or controlled by the [reporting] organisation. Those sources can be stationary (e.g. heaters, electricity generators, industrial process) or mobile (e.g. vehicles).' |
| **Scope 2 emissions**<br><br>**Indirect GHG emissions from imported energy** | Indirect GHG emissions from consumption of purchased electricity, heat or steam (GHG Protocol Corporate Standard).<br><br>Category 2 from ISO 14064-1:2018: 'GHG emissions due to the fuel combustion associated with the production of final energy and utilities, such as electricity, heat, steam, cooling and compressed air [imported by the reported company]. It excludes all upstream emissions (from cradle to power plant gate) associated with fuel, emissions due to the construction of the power plant, and emissions allocated to transport and distribution losses.' |
| **Scope 3 emissions**<br><br>**Indirect GHG emissions** | Other indirect emissions, from sources such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transport and distribution losses) not covered in scope 2 emissions, outsourced activities, waste disposal, etc. (GHG Protocol Corporate Standard). Scope 3 emissions also encompass emissions related to the use of sold products.<br><br>ISO 14064-1:2018: 'GHG emission that is a consequence of an organisation's operations and activities, but that arises from GHG sources that are not owned or controlled by the [reporting] organisation. These emissions occur generally in the upstream and/or downstream chain.' |
| **Sector** | Classification of companies with similar business activities, e.g. automotive manufacturers, power producers, retailers, etc. |
| **Sectoral Decarbonisation Approach (SDA)** | The Sectoral decarbonisation approach (SDA) was developed in 2015 to help companies set targets compatible with below 2°C climate change scenarios. Higher climate ambition is now proposed, namely limiting global warming to 1.5°C. The SDA takes a sector-level approach and employs scientific insight to determine the least-cost pathways of mitigation and proposes the convergence of all companies in a sector towards a shared emissions target in 2050. |

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| **STRATEGY** | Set of resources and objectives established by the company, structured around a number of strategic pillars. It sets out the broad guidelines to be followed over the long term for the company's development. |
| **STRESS TEST** | A test designed to assess how well a system functions when subjected to greater than normal amounts of stress or pressure (e.g. a financial stress test to see if an oil & gas company can withstand a low oil price). |
| **TARGET** | A quantifiable goal (e.g. to reduce GHG emissions).<br>♦ The following are examples of absolute targets:<br>→ metric tonnes $CO_2e$ or % reduction from base year<br>→ metric tonnes $CO_2e$ or % reduction in supply chain relative to base year<br>♦ The following are examples of intensity targets:<br>→ metric tonnes $CO_2e$ or % reduction per kWh of electricity generated by the company, relative to base year<br>→ metric tonnes $CO_2e$ or % reduction per kWh of electricity retailed by the company, relative to base year |
| **TECHNOLOGY** | Application of scientific knowledge for practical purposes, especially in industry (e.g. low-carbon power generation technologies such as wind and solar power, in the electric power generation sector). |
| **TRACEABILITY** | Capability to track and follow the history, location, or origin of a product, typically through the use of documented information or technology, ensuring transparency and accountability. |
| **TRADE ASSOCIATION** | Also referred to as industry association or industry body; association of people or companies in a particular business or trade, organised to promote their common interests. Their relevance in this context is that they present an 'industry voice' to governments to influence their policy development. Most organisations are members of multiple trade associations, many of which take a position on climate change and actively engage with policymakers on the development of policy and legislation on behalf of their members. |
| **TRANSITION** | Process or period of changing from one state or condition to another (e.g. from an economic system and society largely dependent on fossil fuel-based energy, |

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| | to one that depends only on low-GHG emissions energy). This ACT Framework particularly considers the global transition to a low-GHG economy and assesses how companies contribute to it. |
| **Transition Plan** | Aspect of a company's overall long-term strategy that lays out a set of short-, mid- and long-term targets, actions and resources, with accountability mechanisms, to align the company's business activities with a net-zero GHG emissions pathway that delivers real-economy GHG emissions reductions with the objective of limiting global warming to 1.5°C and minimising the company's systemic climate transition risks (**ATP-Col framework and guidance**). |
| **Trend** | General direction in which something (e.g., GHG emissions) is developing or changing. |
| **Verifiable / Verifiability** | An assessment principle of the ACT Framework, aiming to prove the truth of, confirm or substantiate, by evidence or testimony, the data required for the assessment. |
| **World Benchmarking Alliance** | Founded in 2018, the World Benchmarking Alliance (WBA) is a non-profit organisation holding 2,000 of the world's most influential companies accountable for their part in achieving the UN Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on company performance and showing what good corporate practice looks like. WBA's benchmarks provide companies with a clear roadmap of what commitments and changes they must make to put our planet, society and economy on a more sustainable and resilient path. They also equip everyone – from governments and financial institutions to civil society organisations and individuals – with the insights they need to collectively incentivise leading companies to keep on track and pressure the laggards to catch up (**WBA website**). |
| **Weighting** | Relative importance given to each element within the ACT scoring components (e.g., modules and indicators), to reflect more important/significant aspects and the decarbonisation potential of different actions. |

# 11. Appendix

## 11.1. TWG MEMBERS

This ACT methodology has been developed with inputs and feedback of the Technical Working Group (TWG), which met five times over the course of the development phase.

TABLE 16: LIST OF TWG MEMBERS

| ORGANISATION | NAME | |
|---|---|---|
| **Paris Good Fashion** | LEFORT<br>SOUCHET<br>BENARD | Isabelle<br>François<br>Sylvie |
| **ADEME** | DRESCH | Marlène |
| **World Benchmarking Alliance** | POIVET | Romain |
| **Climate Chance** | GILLOD | Antoine |
| **DEFI La Mode de France** | DESRUES | Elise |
| **Chanel** | MEREL<br>MORGAN<br>TOSORATTI | Jérôme<br>Guy<br>Marina |
| **Etam** | HONG<br>LELOUARD | Kachen<br>Laura |
| **LVMH** | VALADE<br>LAJOINIE<br>CAPELLI | Hélène<br>Arnaud<br>Alexandre |
| **Galeries Lafayette** | VIEL<br>GERNIGON<br>BOUDET<br>VENES | Karine<br>Matthieu<br>Isabelle<br>Alice |
| **Kiabi** | CARON | Camille |
| **Lacoste** | LECOQ<br>DUHAMEL | Frédéric<br>Steve |
| **Le Bon Marché** | DESWELLE | Mony |
| **Petit Bateau** | BARDET | Alice |
| **Richemont** | MORONI<br>MEDICI<br>MARCUSSEAU | Matteo<br>Thibault<br>Hubert |

| | | |
|---|---|---|
| **Alliance du Commerce** | BARTHOMEUF-LASSIRE NAUD | Pascale Pierre-Alexandre |
| **COSE361** | POPESCU | Stéphane |
| **Fédération de la Haute Couture et de la Mode (FHCM)** | GARNIER DASSONVILLE | Léonore Inès |
| **Fédération de la maille, de la lingerie & du balnéaire** | LEREDE SFAR | Sterenn Karine |
| **Institut Français de la Mode (IFM)** | LEMIEUX | Andrée-Anne |
| **Institut Français de la Mode, du Textile et de l'Habillement (IFTH)** | COURAGE | Gaelle |
| **Syndicat de Paris de la Mode Féminine** | DARGENT | Adeline |

## 11.2. COMPANIES INVOLVED IN THE ROADTEST

TABLE 17: LIST OF COMPANIES INVOLVED IN THE ROADTEST

| LIST OF COMPANIES INVOLVED IN THE ROADTEST OF THE ACT FASHION METHODOLOGY |
|---|
| **Aigle** |
| **Balzac** |
| **Chanel** |
| **Décathlon** |
| **Eminence** |
| **Galeries Lafayette** |
| **Kiabi** |
| **Lacoste** |
| **LVMH** (public data) |
| **Le Bon Marché** |
| **Petit Bateau** |
| **Primark** |
| **Ralph Lauren** (public data) |
| **Zalando** |

## 11.3. ILLUSTRATIVE GRAPHS FOR TREND IN FUTURE EMISSIONS INTENSITY INDICATORS

### CASE 1

| Conditions | Score |
|---|---|
| $Company's\ trend > 0$<br>Increase in company emissions intensity | 0% |

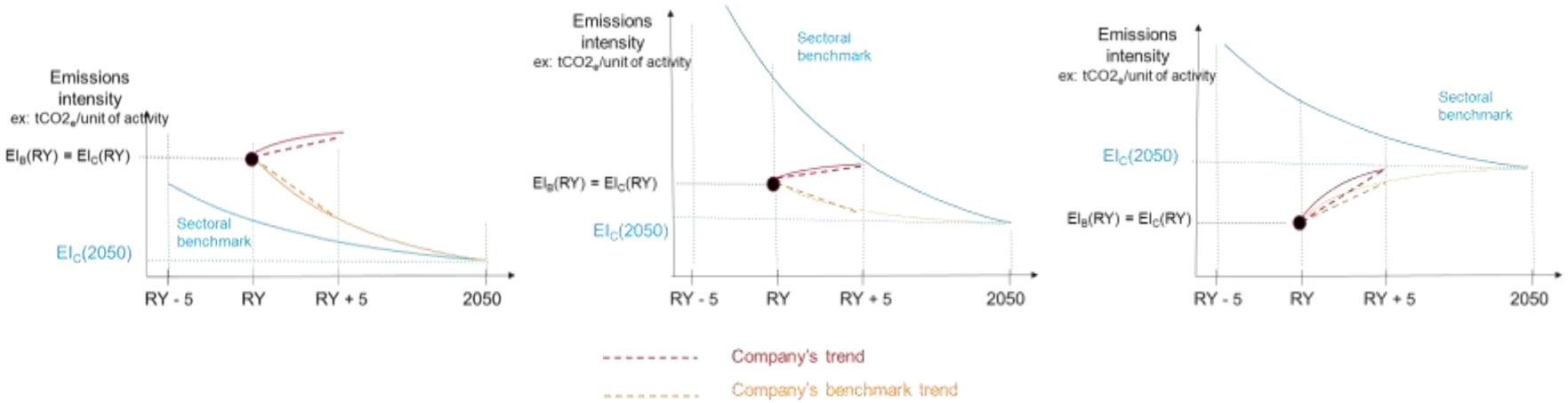


FIGURE 19: TREND RATIO - CASE 1

## CASE 2

| Conditions | Score |
|---|---|
| $Company's\ trend \leq 0$ and $EI_C(RY\ ) \geq EI_B(2050)$<br>$0 \leq trend\ ratio \leq 1$<br>Decrease in company emissions intensity but company's pathway does not go beyond the company's benchmark ambition | $Trend\ ratio \times 100\%$ |

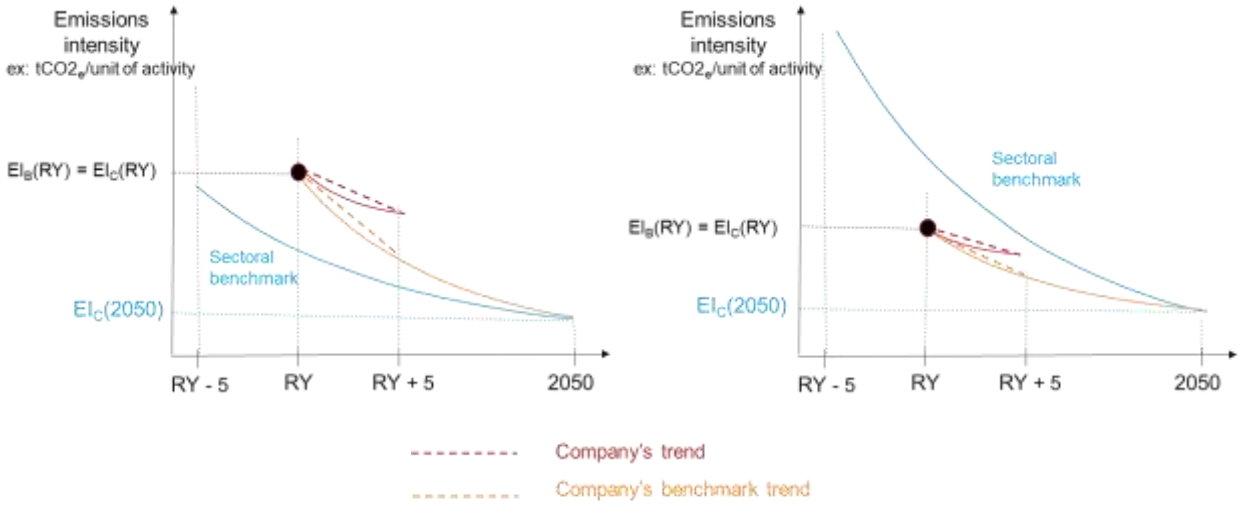


FIGURE 20: TREND RATIO - CASE 2

## CASE 3

| Conditions | Score |
|---|---|
| $Company's\ trend < 0$<br>$trend\ ratio > 1$<br>Decrease in company emissions intensity and company's pathway equals or exceeds the company's benchmark ambition | 100% |

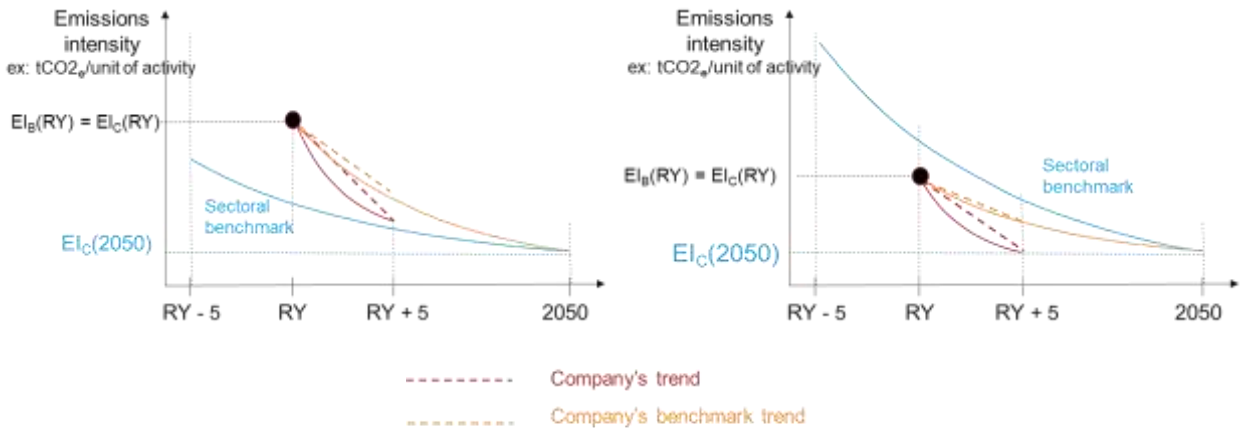


FIGURE 21: TREND RATIO - CASE 3

## CASE 4

| Conditions | Score |
|---|---|
| $Company's\ target\ trend \leq 0\ and\ EI_C(RY\ ) \leq EI_B(2050)$<br>No increase in company emissions intensity and company's emissions intensity is already below the company's benchmark ambition for 2050 | 100% |

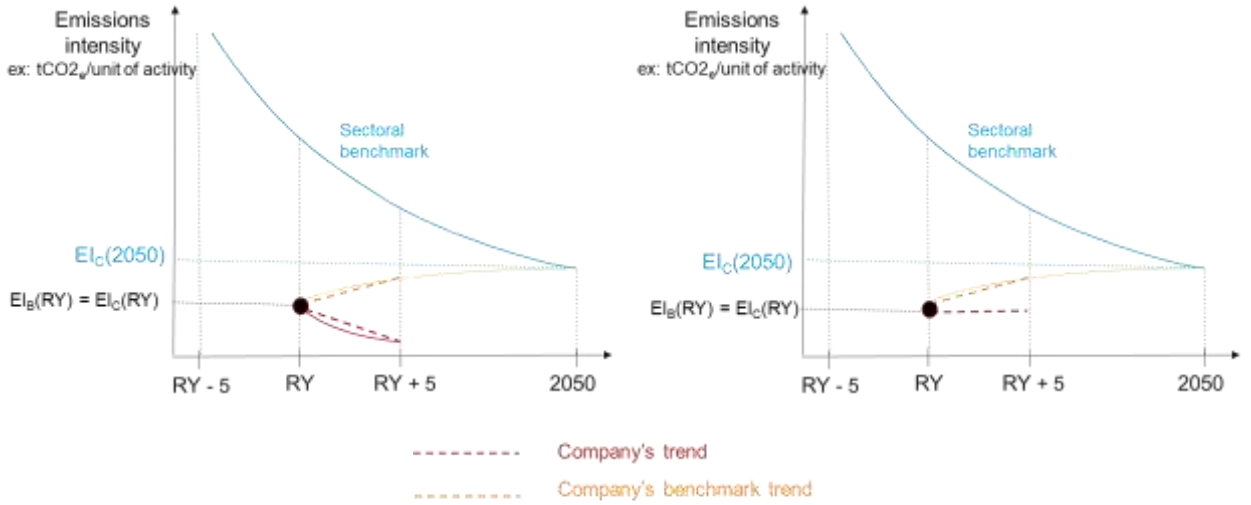


FIGURE 22: TREND RATIO - CASE 4