

Assessing low-Carbon Transition

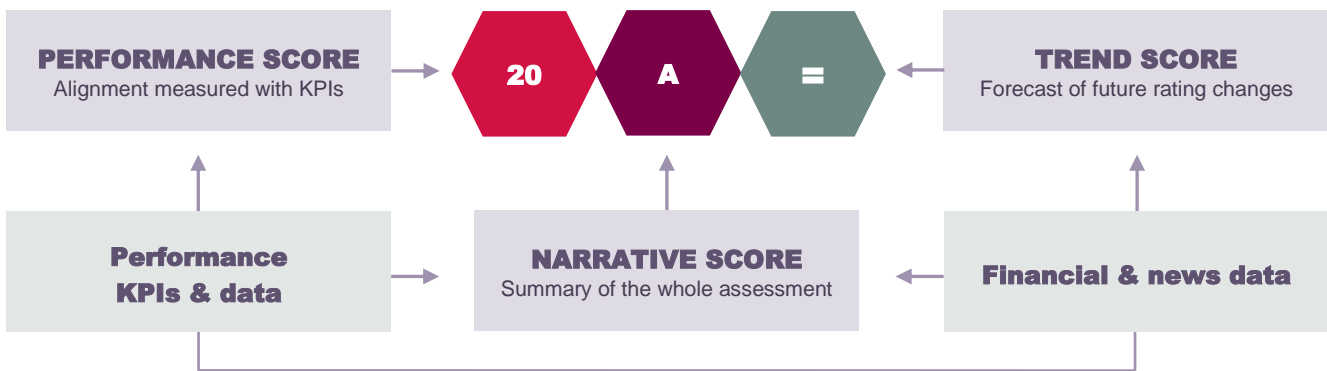


Pulp & Paper

VERSION 2.0 | NOVEMBER 2022

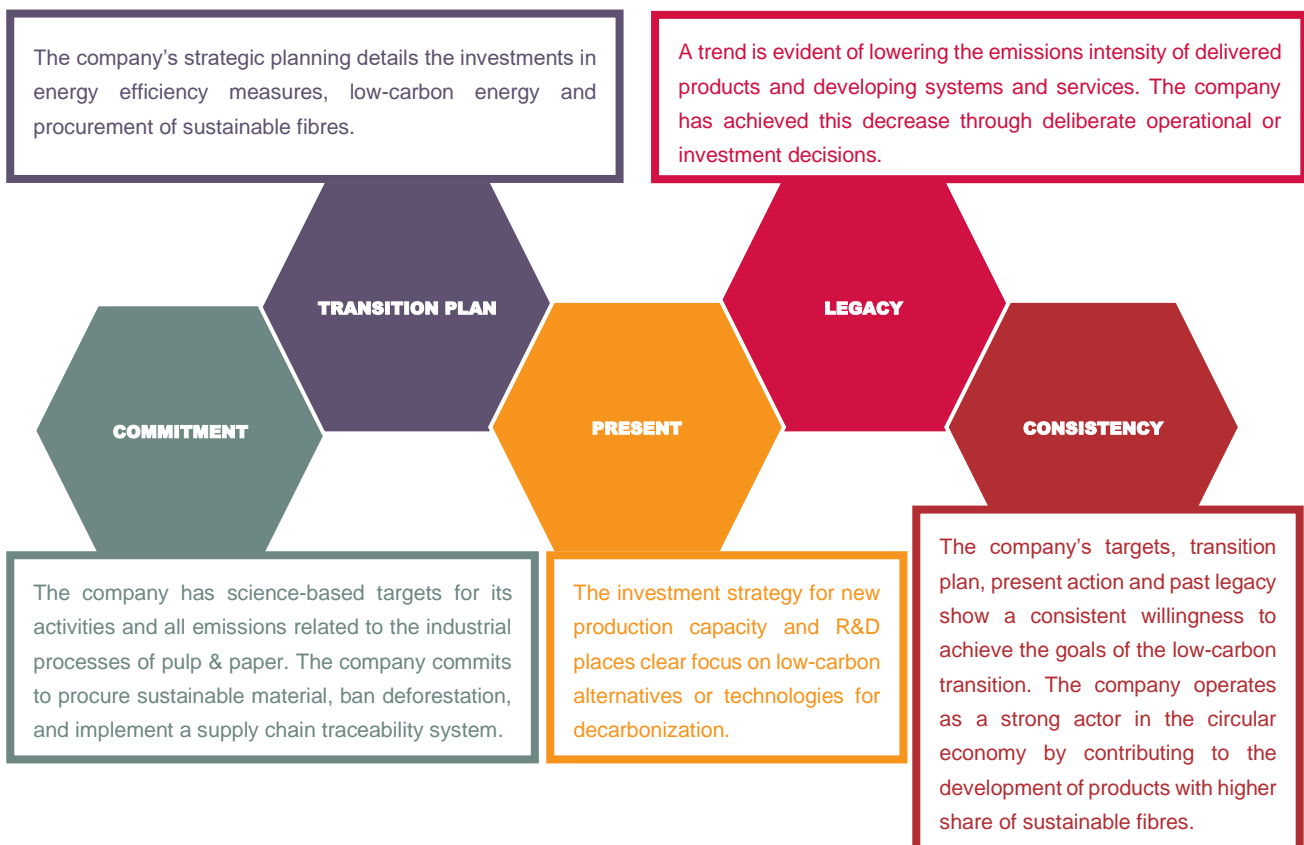
THE ACT RATING

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



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

ALIGNED STATE FOR A COMPANY IN THE PULP & PAPER SECTOR



CONTEXT & PRINCIPLES OF THE ACT PULP & PAPER METHODOLOGY

As the fourth most energy-intensive industry, accounting for 5.6% of the industrial energy consumption according to IEA, the pulp & paper sector has an important role to play in global decarbonization efforts.

The ACT methodology splits companies into three types: pulp companies; paper & board manufacturers, and paper & board converters. Three broad categories of emissions are taken into account: upstream emissions (forest tending and harvesting, woodchip production, and non-fibrous material production), manufacturing and transport. The indicators and their weightings vary depending on the type of activities covered by the company.

The methodology rewards companies that implement low-carbon processes and use low-carbon energy, that commit to ban deforestation and that foster circular economy (use of recovered or alternative fibres).

BENCHMARK

The ACT Pulp & Paper methodology uses ETP 2017 from IEA¹ as a benchmark scenario.

This scenario is disaggregated for the three main activities of the sector, enabling a granular assessment of a company's activities (see Figure 1).

The benchmark is applicable to a Sectoral Decarbonisation Approach.

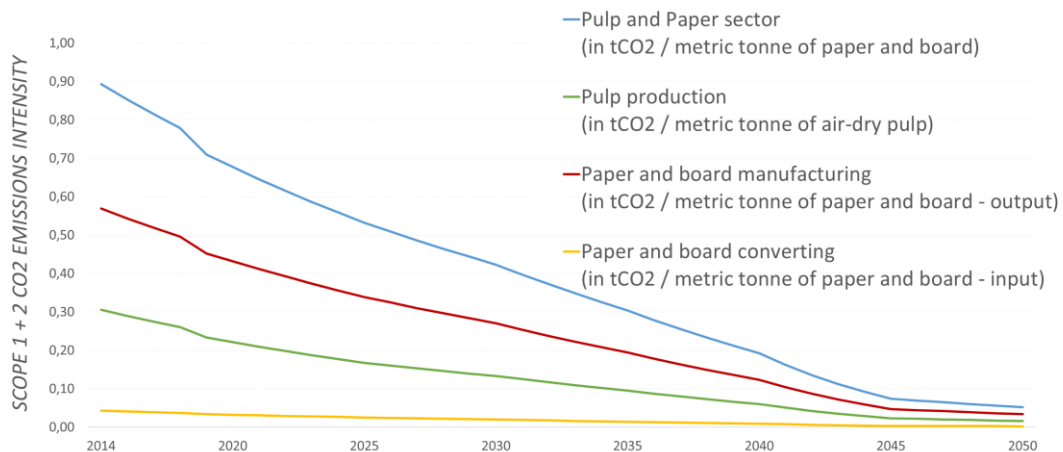
Upstream emissions (forest tending and harvesting, woodchip production, and non-fibrous material production) are assessed qualitatively within the methodology, as there was no benchmark available during the methodology development; this will be modified in future updates.

PERFORMANCE INDICATORS

| MODULE (% = MODULE WEIGHTING) | INDICATORS* |
|--|---|
| TARGETS (15%) | 1.1 Alignment of scope 1+2 emissions reduction targets |
| | 1.2 Alignment of scope 3 emissions reduction targets |
| | 1.3 Time horizon of targets |
| | 1.4 Achievement of past and current targets |
| MATERIAL INVESTMENT (12-27%) | 2.1 Trend in past emissions intensity |
| | 2.2 Trend in future emissions intensity |
| | 2.3 Share of low-carbon CAPEX |
| | 2.4 Locked-in direct emissions |
| | 2.5 Transition towards low-carbon energy |
| INTANGIBLE INVESTMENT (5-10%) | 3.1 R&D in low-carbon technologies and low-carbon products |
| SOLD PRODUCT PERFORMANCE (13-26%) | 4.1 Trend in past products specific performance |
| | 4.2 Share of recovered fibres and virgin fibres from sustainably managed forests in the sold material |
| | 4.3 Action on deforestation and sustainable wood procurement |
| | 4.4 Inbound and outbound transportation emissions performance |
| MANAGEMENT (10%) | 5.1 Oversight of climate change issues |
| | 5.2 Climate change oversight capability |
| | 5.3 Low-carbon transition plan |
| | 5.4 Climate change management incentives |
| | 5.5 Climate change scenario testing |
| SUPPLIER ENGAGEMENT (4-8%) | 6.1 Strategy to influence suppliers to reduce their GHG emissions |
| | 6.2 Activities to influence suppliers to reduce their GHG emissions |
| CLIENT ENGAGEMENT (5-9%) | 7.1 Strategy to influence clients to reduce their GHG emissions |
| | 7.2 Activities to influence clients to reduce their GHG emissions |
| POLICY ENGAGEMENT (5-6%) | 8.1 Company policy on engagement with associations, alliances, coalitions or thinktanks |
| | 8.2 Associations, alliances, coalitions and thinktanks supported do not have climate-negative activities or positions |
| | 8.3 Position on significant climate policies |
| | 8.4 Collaboration with local public authorities |
| BUSINESS MODEL (10%) | 9.1 Business models and new business activities supporting low-carbon processes |
| | 9.2 Business models and new business activities supporting the development of new innovative low-carbon products |

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

FIGURE 1: BENCHMARKS USED



¹ Energy Technology and Perspectives, International Energy Agency, 2017