

BearingPoint®



THE IMPERATIVE TO ACT: ADVANCING SUSTAINABILITY MATURITY WITHIN THE UK RETAIL INDUSTRY

BENCHMARKING STUDY OF THE SUSTAINABILITY MATURITY
OF THE UK RETAIL INDUSTRY ASSESSED THROUGH THE
MEMBERS OF THE BRITISH RETAIL CONSORTIUM

CONTENTS

| | | | | | |
|---|----|--|----|-----------------------------|----|
| Executive Summary | 3 | 1. Summary Of Key Findings: Strategy | 14 | Conclusion | 28 |
| Foreword From The BRC | 4 | 3 Key Takeaways For Success | 15 | Appendices | 29 |
| Research Approach | 5 | 2. Summary Of Key Findings: Governance & Organisation | 16 | References | 31 |
| Overview Of Results | 6 | 3 Key Takeaways For Success | 17 | Questions & Maturity Levels | 32 |
| Average Maturity Level For Each Dimension By Sub-Sector | 6 | 3. Summary Of Key Findings: People & Culture | 18 | | |
| Key Takeaways | 7 | 3 Key Takeaways For Success | 19 | | |
| Cross-Dimensional Insights | 8 | 4. Summary Of Key Findings: Finance, Reporting, Regulatory & Risk | 20 | | |
| The Relationship Between Measuring Scope 3 Emissions And Other Dimensions | 8 | 3 Key Takeaways For Success | 21 | | |
| The Relationship Between Sustainability Reporting And Sustainability Data | 10 | 5. Summary Of Key Findings: Customer & Stakeholder Centricity | 22 | | |
| The Relationship Between Data Automation And The Other Dimensions | 11 | 3 Key Takeaways For Success | 23 | | |
| The Relationship Between Strategy And The Other Dimensions | 12 | 6. Summary Of Key Findings: Operations & Supply Chain | 24 | | |
| | | 3 Key Takeaways For Success | 25 | | |
| | | 7. Summary Of Key Findings: Data & Technology | 26 | | |
| | | 3 Key Takeaways For Success | 27 | | |

EXECUTIVE SUMMARY

THE IMPERATIVE TO ACT: ADVANCING SUSTAINABILITY MATURITY WITHIN THE UK RETAIL INDUSTRY

Growing customer awareness of climate change coupled with a desire to make more environmentally conscious purchasing decisions have heightened potential reputational risks for retailers. Meanwhile, increasing regulatory scrutiny over the industry's environmental and carbon footprint exposes retailers to more pressures. Given this context, how well equipped is the UK retail industry to respond to these growing challenges?

In collaboration with the British Retail Consortium, BearingPoint designed a survey based on our S360 Sustainability Maturity Assessment methodology, to assess the current status of the BRC members' sustainability maturity. In total 42 organisations completed the holistic assessment covering seven key dimensions: Strategy; Governance & Organisation; Finance: Reporting, Regulatory, Risk; People & Culture; Operations & Supply Chain; Data & Technology; Customer & Stakeholder Centricity.

The majority of organisations who responded to the survey have outlined that sustainability is a business driver and have indicated that they have a roadmap with ambition levels beyond minimum compliance. Despite this, 65% of respondents say their business model has not changed, suggesting a gap between recognition and action. This is further supported by the data in a number of ways, which we will explore throughout this report.

FOREWORD FROM THE BRC

This year marks the fourth anniversary of the BRC's Climate Action Roadmap which supports the retail sector commitment to achieve net zero by 2040. This deadline may still feel distant, but there is much to be done to accelerate change as this report, in association with BearingPoint, demonstrates. As the Roadmap heads towards our first set of milestones in 2025 we can acknowledge some strong areas of progress but others where we need to pick up the pace.

A clear focus on sustainability is a business imperative for retailers. Growing regulation in this space, together with investor and customer scrutiny, means that businesses need to ensure that sustainability is embedded internally and driven by clear direction from the top.

Yet it is not all 'stick'. The 'carrot' for businesses prioritising sustainability can be greater understanding and control of their supply chains; efficiencies in sourcing; financial savings and a degree of insulation against the increasing risks from climate emergencies such as drought and wildfire. Additionally, they will have the pick of scarce employee talent as workers increasingly seek employers aligned with their values. Companies that can clearly articulate and evidence their sustainability strategies will gain financially, reputationally and operationally.

This report shows that for most businesses, sustainability is a business driver. They are working beyond compliance and taking account of the risks that climate change poses to their viability. Almost two thirds of respondents already report on Scope 1,2 and most Scope 3 emissions and the majority also encourage sustainability engagement through staff forums.

However, there is still much to do. We need to see greater weight given to sustainability criteria in sourcing; clear links between achievement and remuneration at all levels and increased use of technologies for measuring and monitoring in order to drive down emissions. Retailers also need to grasp how sustainable products drive their portfolios. Over 40% of respondents admitted they did not know what proportion of their revenue came from sustainable products or services.

This report, in association with BearingPoint, helps us to focus our Roadmap activity on those areas where support is most needed to help members develop and implement a successful sustainable strategy; the value of data used effectively to measure and drive change; the right governance to ensure effective implementation across the whole business and the importance of investing in colleagues who are key to delivery. We hope that you find this useful in taking forward your own sustainability strategies.

KEY TAKEAWAYS

RETAILERS REPORT THAT SUSTAINABILITY IS A BUSINESS DRIVER, BUT THE SURVEY RESULTS INDICATE FURTHER INTERNAL AND EXTERNAL CHANGE IS REQUIRED TO ACCELERATE PROGRESS.

For the UK retail industry to make significant and impactful change, sustainability can no longer exist as a siloed topic within the business. It requires understanding and buy-in at all levels across every department within an organisation, with employees who are equipped and incentivised to deliver change. For progression across all dimensions retailers must focus on four key takeaways.

Enhancing data and technology capabilities

Retailers must invest in technology to drive decision making but there has been a low uptake so far. Greater automation and visibility across sustainability metrics will be crucial to inform portfolio decisions, manage external communication, ensure greater regulatory compliance and facilitate supply chain improvements.

Integrate quantified risks and long-term ESG macro trends into the Strategy

Retailers must take action to quantify sustainability risks and incorporate longer term ESG macro trends, such as the long-term impact of global warming, into their strategy. This will be essential to ensure that their business model is fit for purpose, allow them to achieve their sustainability objectives and ensure that they have the right governance structures in place.

Collaborating and holding themselves accountable with external stakeholders

Retailers should consider involving external stakeholders more effectively to drive progress and accountability. More effective stakeholder management can be maintained by actively collecting insights into customer preferences and collaboration with suppliers can drive greater innovation within operations.

Recognise the pivotal role of employees in driving sustainability initiatives

Retailers must acknowledge that the success of any sustainability strategy depends on the capabilities of the individuals delivering change. Continuous improvement in employee well-being, role-specific sustainability training and KPIs are essential for sustained progress.

RESEARCH APPROACH

We reviewed each company against the following seven dimensions.



Figure 1. Summary of the seven key dimensions assessed in the survey

OVERVIEW OF RESULTS

S360 MATURITY LEVELS: BRC MEMBERS

BRC Members' average maturity levels and insights for each dimensions

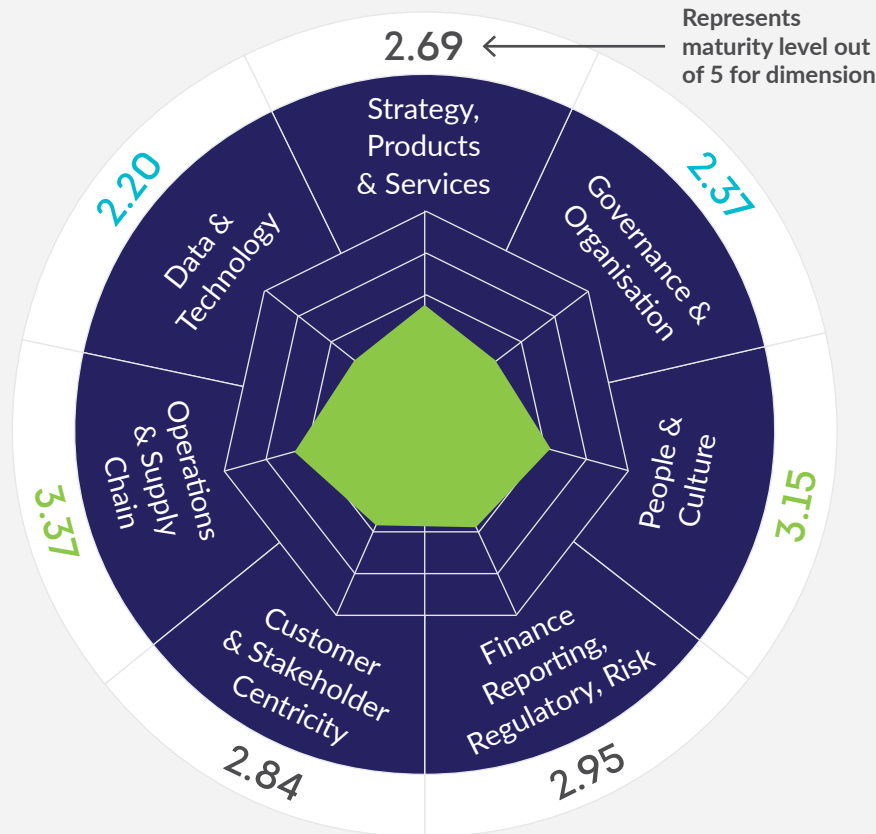


Figure 2. Summary of the BRC Members average maturity levels for each dimension

AVERAGE MATURITY LEVEL FOR EACH DIMENSION BY SUB-SECTOR

Average Maturity Level for Each Dimension for the Retail Sub-Sectors

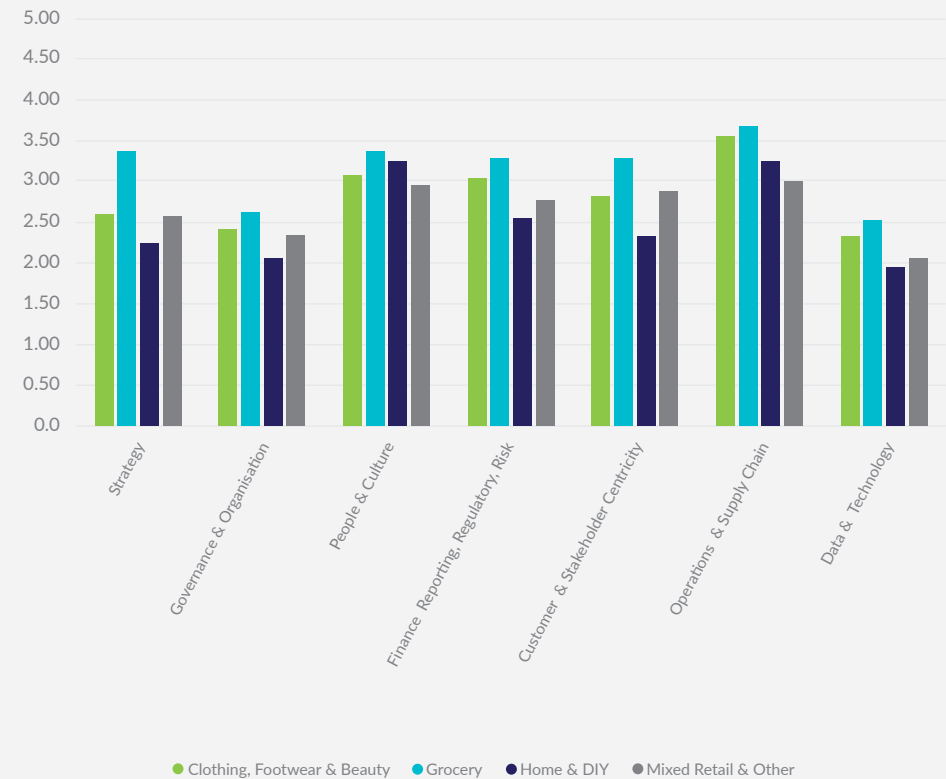


Figure 3. Comparison of Sub-Sector performance for each dimension.

CROSS-DIMENSIONAL INSIGHTS

WITH OVER A DECADE OF EXPERIENCE IN SUPPORTING CLIENTS IN SUSTAINABILITY, BEARINGPOINT HAS DEVELOPED SOME KEY TRENDS WHICH WOULD BE EXPECTED FROM THIS TYPE OF MATURITY ASSESSMENT. HOWEVER, DURING THIS BRC ASSESSMENT, SOME UNEXPECTED THEMES EMERGED, CHALLENGING OUR PRECONCEIVED NOTIONS. THIS SECTION DELVES INTO THE ANALYSIS AND EXPLORES THESE CONTRASTING FINDINGS.

The Relationship Between Measuring Scope 3 Emissions And Other Dimensions

Retailers who measured their Scope 3 emissions had a higher maturity across all dimensions compared to those not yet measuring them, and yet 80% of retailers who measure Scope 3 Emissions are still manually gathering data.

Scope 3 emissions are all the upstream and downstream emissions in the value chain and within the assessment scope (GHG Protocol, 2015). An increasing number of retail companies are beginning to measure Scope 3 emissions, this is a significant development as more than 90% of a typical retailer's Green House Gas (GHG) emissions are Scope 3 (BRC, 2022). This represents one of the biggest challenges for the UK retail industry (BRC, 2022), however, it also provides an opportunity to identify and understand the environmental impact of retailers' operations.

What we expected to see:

We would expect an organisation measuring Scope 3 emissions to have made substantial progress in their sustainability initiatives overall and for them to be more mature in all dimensions. Organisations measuring Scope 3 emissions should typically also have some form of automated sustainability data gathering processes and a tool to measure carbon footprint.

What the results showed:

The survey indicated organisations who measure Scope 3 emissions scored higher in every question on average than companies who do not measure Scope 3 emissions, which is in line with our expectations.

COMPANIES WHO MEASURED SCOPE 3 EMISSIONS COMPARED TO THOSE WHO DO NOT

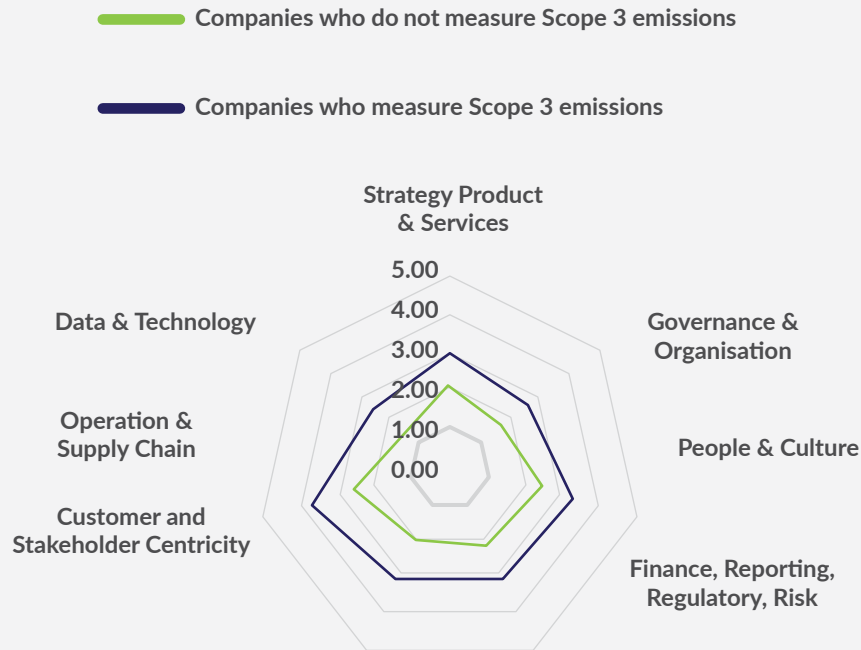


Figure 4. Comparison between companies who measure Scope 3 emissions and those who do not, in each dimension.

Moreover, of the respondents who measure Scope 3 emissions, 87.5% measure firmwide carbon emissions, however 54% of those respondents do not have a dedicated tool to support this. Furthermore, of the respondents who reported they measure Scope 3 emissions, 80% of them manually gather sustainability data. This observation is surprising, given our expectation that companies measuring Scope 3 emissions would typically be using some level of automation for data gathering and reporting.



The Relationship Between Sustainability Reporting And Data

79% OF RETAILERS WHO REPORT ON A QUARTERLY BASIS ARE MANUALLY GATHERING DATA, DESPITE BEING MORE MATURE ON AVERAGE IN THE DATA & TECHNOLOGY DIMENSION.

Sustainability reporting is how companies disclose their Environmental, Social and Governance (ESG) performance to stakeholders, and sustainability data is the information that feeds into these reports. The quality and accuracy of sustainability reporting relies on the sustainability data gathered, and companies with good data gathering processes are often able to provide more accurate and comprehensive sustainability reports.

What we expected to see:

When an organisation is extensively engaged in sustainability reporting, we would expect them to achieve a high maturity level in the Data & Technology dimension. Furthermore, we would anticipate the organisation would have some form of automated sustainability data gathering to reduce the risk of errors and increase efficiency.

What the results showed:

As expected, the survey showed that organisations who regularly report on sustainability were more mature in the Data dimension than those who did not.

COMPANIES WHO REGULARLY REPORT ON SUSTAINABILITY COMPARED TO THOSE WHO DO NOT, IN THE DATA DIMENSION

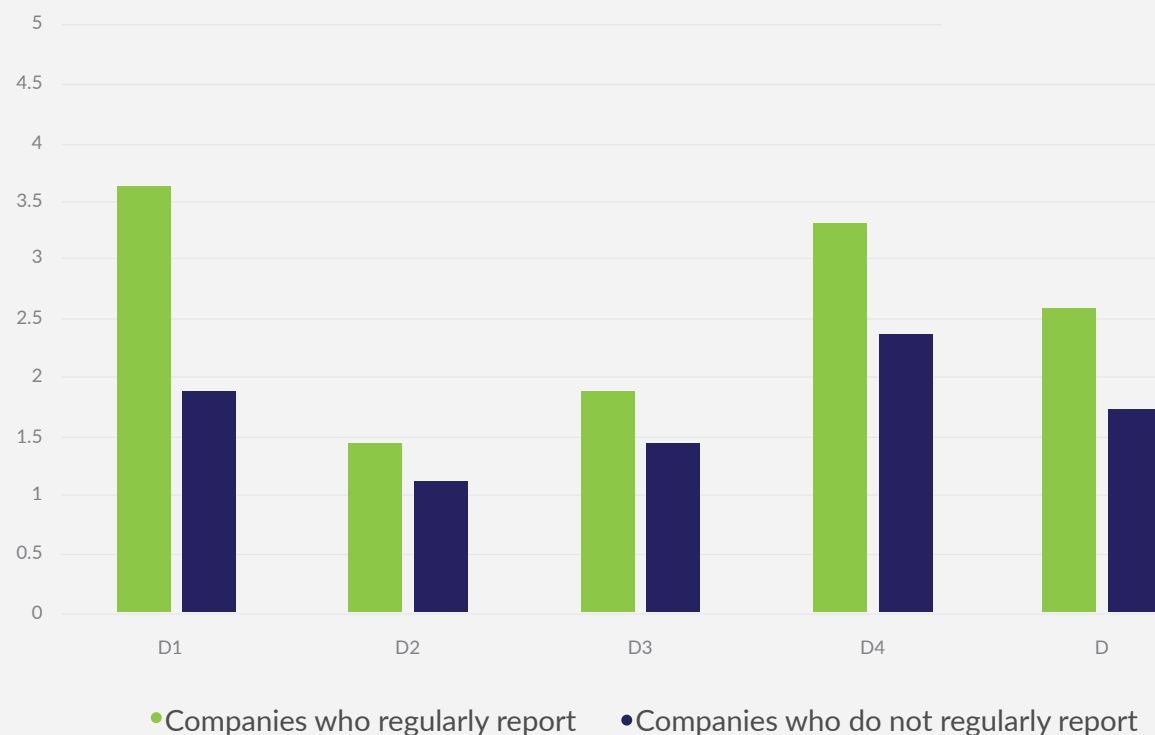


Figure 5. A comparison of the Data & Technology dimension for companies who regularly report on sustainability compared to those who do not.

The Relationship Between Data Automation And The Other Dimensions

RETAILERS WHO HAVE SOME FORM OF AUTOMATIC DATA GATHERING ARE MORE MATURE OVERALL AND YET 87% OF RETAILERS OVERALL ARE RELYING ON MANUAL DATA GATHERING.

Data automation is an important step in a company's sustainability journey, it can improve the accuracy and reliability of sustainability data. Automation within the data dimension can also minimise the risk of human error and the time dedicated to manual data handling.

What we expected to see:

If a company has an automated sustainability gathering process, we assume that they would also be mature in other dimensions.

What the results showed:

The results were in line with our expectations. The companies that had at least some automatic data gathering process were all in the top 40% of companies overall and were more mature in every question than companies who had manual data gathering processes. However, only one company had a fully automatic data gathering process, and only 11.3% had some form of automatic data gathering.

COMPANIES WHO HAVE AT LEAST SOME AUTOMATIC DATA GATHERING PROCESS COMPARED TO THOSE WHO DO NOT



- Companies who have automatic data gathering processes
- Companies who do not have manual data gathering processes

Figure 8. A comparison of each question for companies who have some automatic data gathering processes and those who have manual data gathering processes.

The Relationship Between Strategy And The Other Dimensions

RETAILERS WITH A 1-5-YEAR SUSTAINABILITY ROADMAP ARE MORE MATURE ON AVERAGE AND HAVE GOVERNANCE STRUCTURES IN PLACE, HOWEVER 68% HAVE NOT CONSIDERED LONGER TERM MACRO TRENDS.

Incorporating sustainability into a company's strategy involves integrating Environmental, Social and Governance (ESG) considerations into a company's strategic planning and decision-making processes.

What We Expected To See:

Strategy is typically the initial focus and the foundation in an organisation's sustainability journey; therefore, we would expect a higher maturity in strategy to result in higher average scores for other dimensions and vice versa. This is especially true of strategy and governance, as once a strategy has been defined, the corresponding infrastructure and committees must be set up to operationalise it.

What The Results Showed:

Organisations who reported having a clear roadmap and objectives for the next 1-5 years horizon, within the Strategy dimension, had a higher maturity in all dimensions and 81% have committees dedicated to sustainability. Furthermore, of the respondents who reported sustainability is a business driver and is embedded in their mid- and long- term strategy within the Governance dimension, 75% have strategic and operational committees specifically dedicated to sustainability.

However, 68% of respondents have not yet considered longer term ESG macro trends in the next 10/20/30 years, suggesting a significant gap in preparedness in the long term.

COMPANIES WHO HAVE A CLEAR ROADMAP AND OBJECTIVES COMPARED TO THOSE WHO DO NOT

Companies who do not have a clear sustainability roadmap

Companies who have a clear sustainability roadmap



Figure 6. A comparison of companies who have a clear roadmap and objectives for the next 1-5 years horizon and those who do not, in each dimension.

COMPANIES WHO HAVE A CLEAR ROADMAP AND OBJECTIVES COMPARED TO THOSE WHO DO NOT, IN THE GOVERNANCE DIMENSION



Figure 7. A comparison of the Governance & Organisation dimension for companies who have a clear roadmap and objectives for the next 1-5 years horizon and those who do not.



1. SUMMARY OF KEY FINDINGS: STRATEGY

MOST RETAILERS RECOGNISE SUSTAINABILITY AS A CORE ASPECT OF THEIR STRATEGY, BUT SOME HAVE NOT YET LINKED SUCH RECOGNITION TO ACTION.

Organisations are increasingly aware of the need to consider sustainability within their strategy. A successful strategy drives environmental and social responsibility, regulatory compliance, and can lead to valuable innovation. Beyond this, a comprehensive strategy can help organisations identify and manage sustainability related risk and build trust with wider stakeholders.

To realise such benefits organisations must align their business model with their strategy. Identifying business model changes that can better facilitate sustainable action is vital. Codifying sustainability attributes into decision-making principles can ensure sustainability systematically drives business decisions (Karki, 2022). Businesses should consider how they encourage sustainable action throughout their entire value chain.

FOR EXAMPLE, CURRY'S NEW 'LONG LIVE YOUR TECH' COMMITMENT ENCOURAGES CUSTOMERS TO CONSIDER HOW THEY DISPOSE OF OLD ELECTRONICS. THIS INCLUDED A 'CASH FOR TRASH' INITIATIVE OFFERING A MONETARY REWARD FOR UNWANTED TECH, EMBEDDING SUSTAINABILITY INTO HOW THEY INTERACT WITH THEIR CUSTOMERS (CURRYS, 2022).



However, the survey indicated that many retailers are yet to translate their sustainability strategy into operational changes. 65% of retailers believed sustainability was a business driver, yet their business model had not yet changed.

THE SPREAD OF MATURITY LEVELS FOR S1. TO WHAT EXTENT IS SUSTAINABILITY EMBEDDED IN YOUR MID- AND LONG-TERM VISION/STRATEGY?

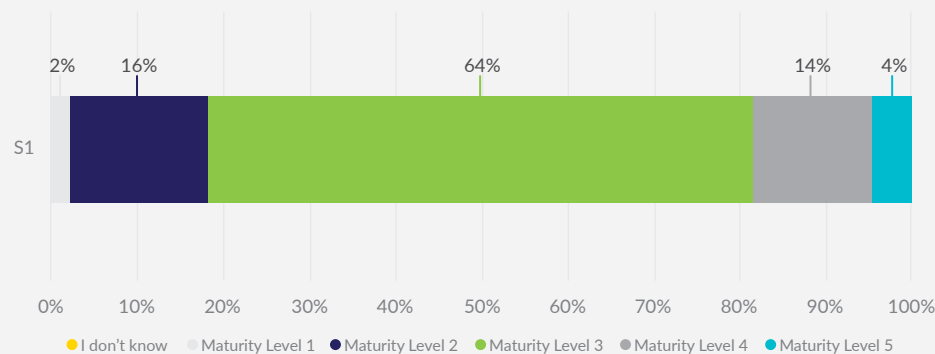


Figure 9. The spread of respondents' Maturity Levels for question S1

Identification of a roadmap with clear, quantitative targets and associated projects can ensure strategic goals are realised and alignment with the long-term vision of an organisation is maintained. Most retailers had short-term roadmaps (only 5% had not considered their roadmap over a 1-5-year horizon) however, the effectiveness of these will depend on an organisation's capability to implement and adapt to changing circumstances.

Organisations must consider their strategy beyond a 5-year horizon; consideration of the external environment and ESG macro trends within a 10/20/30 year timeframe is paramount if organisations are seeking to make sustainability a core pillar of their strategy. Many retailers are yet to achieve this forward-thinking mindset, 43% of retailers had not considered the impacts of future ESG macro trends on their organisation's strategy. Of this 43%, 62% were small retailers.

Sharing sustainability roadmaps externally allows organisations to build greater trust with external stakeholders. Just 2% of all respondents had acted upon this opportunity and externally shared their roadmap for the next 1-5 years, these respondents were all in the grocery & food sector.

Retailers must progress beyond merely defining their sustainability strategy, the identification of business model changes and greater consideration of the external environment is required for retailers to effectively implement their strategies.

3 key takeaways for success

1. Develop a sustainability strategy with a comprehensive roadmap, incorporating short, mid and long-term goals;
2. Evaluate the suitability of your current business model to enable progress against sustainable objectives and proactively make changes to enhance alignment with your strategy;
3. Acknowledge the influence of external macro trends and external stakeholders: integrate both elements into your sustainability strategy.

2. SUMMARY OF KEY FINDINGS: GOVERNANCE & ORGANISATION

OPERATIONAL AND STRATEGIC COMMITTEES ARE REPORTEDLY IN PLACE WITHIN THE MAJORITY OF RETAILERS, YET GREATER GOVERNANCE PRACTICES ARE REQUIRED TO PROGRESS SUSTAINABLE MATURITY.

Governance provides the structure, oversight, and decision-making bodies necessary to progress sustainable initiatives within an organisation. Providing a well-rounded governance framework encompasses multiple aspects. Retailers need to strengthen their commitment to sustainability by aligning incentives to sustainability goals, engaging with external stakeholders and offering more specialised training to educate and empower people to make sustainability driven decisions.

Just 14% of retailers had no governance structure in place to encourage sustainability ambitions. 70% of retailers reported that sustainability topics are regularly reviewed at strategic and operational committees dedicated to sustainability and at pre-existing governance committees. Despite this commitment to governance practices amongst most retailers, few (2%) had a committee with external stakeholders. External engagement with stakeholders is vital in bringing a diverse perspective and accountability. By sharing sustainability ambitions with an external committee, stakeholders across the value chain can provide feedback and challenges. This can facilitate greater collaboration and trust.

Ensuring employees are trained, informed, and educated about sustainability issues can drive employee buy-in and ensure the achievement of sustainability ambitions. Role-specific training can tailor the learning experience to an employee's responsibilities, making information more relevant and actionable. The 2023 National Retail Federation Show highlighted how retail sustainability initiatives encompass a diverse range of business units from merchandising, operations, marketing, supply chain to government relations (Case, 2023). Retailers are not yet realising the benefits of driving employee buy-in through training. 63% of retailers provided no training or merely basic awareness training to employees outside of the core sustainability team indicating a lack of maturity in this dimension.

THE SPREAD OF MATURITY LEVELS FOR QUESTION G1. TO WHAT EXTENT DO YOU PROVIDE TRAINING (OR STRUCTURED INFORMATION OF ANY OTHER KIND) FOR YOUR EMPLOYEES TO CREATE AWARENESS OF YOUR SUSTAINABILITY AMBITIONS?

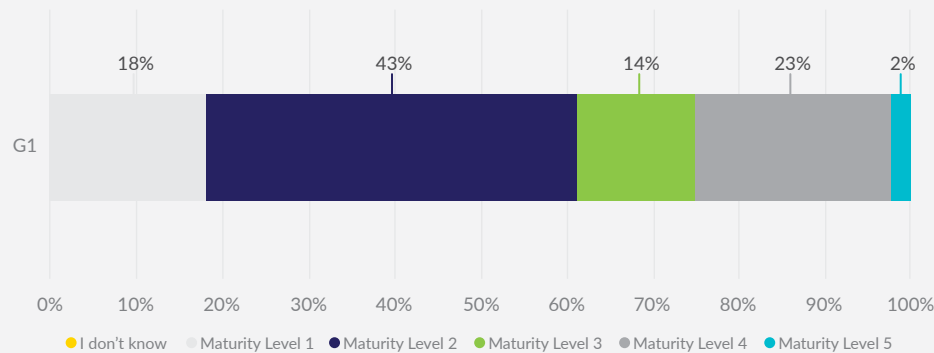


Figure 10. The spread of respondents' Maturity Levels for question G1 Level 5 being the highest level of maturity

Linking sustainability targets and remuneration is a valuable way of enhancing both accountability and motivation. Without making sustainability an important KPI, employees may lack motivation to prioritise it over other commercial KPIs. However, organisations must carefully consider how targets are linked to remuneration. Weak selection of sustainability metrics that are linked to remuneration can lead to a short-term focus on quick wins rather than a focus on the long-term and transformative changes required. Weak sustainability metrics can similarly result in vague and non-specific statements being used which raises the risk of greenwashing.

Retailers are yet to act in this area, 74% of respondents had no link between the achievement of sustainability targets and remuneration. Where variable remuneration was found this was in larger companies and often only in relation to the C-Suite Executives. This is in line with research by WTW, a US advisory firm, which found 85% of the UK Plcs tied executive pay to at least one ESG measure (ICAEW Insights, 2023).

TESCO HAS SAID IT WILL LINK 25% OF EXECUTIVE PAY TO ACHIEVING TARGETS AROUND GENDER, ETHNICITY REPRESENTATION, CARBON REDUCTION AND FOOD WASTE REDUCTION (TESCO 2022).

Organisations should consider that implementing variable remuneration policies down to lower-level management can help ensure key decision makers are motivated to make sustainability a priority and no divide is created between the executive board and management.

3 key takeaways for success

1. Invest in role-specific sustainability training to enable employees to have a more targeted understanding of sustainable opportunities within the organisation;
2. Achieve success by aligning individual objectives with sustainable goals, consider establishing a connection between ambitious targets and employee remuneration (or alternative incentives where this is not possible);
3. Establish an external sustainability committee to drive transparency, accountability and collaboration across the value chain.

3. SUMMARY OF KEY FINDINGS: PEOPLE & CULTURE

RETAILERS HAVE PRIORITISED EMPLOYEE WELL-BEING BUT SHOULD LEVERAGE COLLECTED DATA AND OFFER MORE SPECIALISED SUPPORT TO DISADVANTAGED AND MINORITY GROUPS.

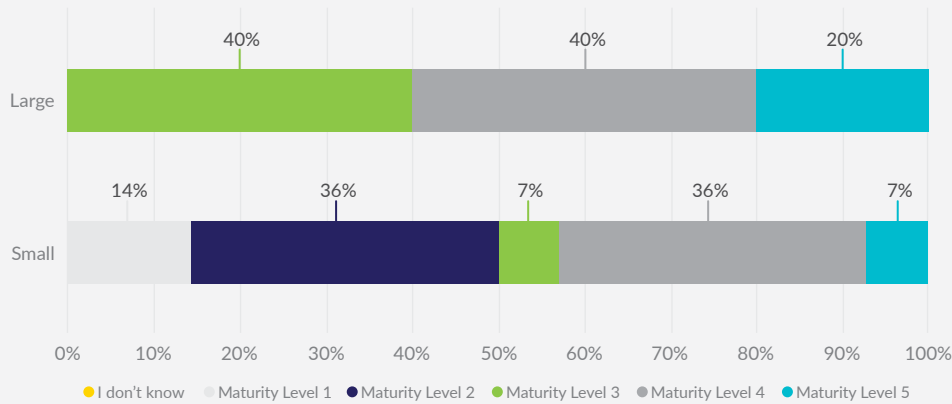
Organisations need to acknowledge the interdependence of employee well-being and the planet's well-being (Allamano, 2023). Diversity and employee well-being can have a powerful impact on the adoption of sustainability initiatives within an organisation. Well-being programmes and support create a more sustainable business environment by fostering a culture of engagement, inclusivity, and innovation. This can contribute towards the achievement of sustainability goals and initiatives.

Organisations with a more gender-balanced workforce outperform less-balanced organisations (Masters, 2023), demonstrating why organisations should strive to cultivate a culture of diversity and inclusivity. Employee affinity groups can provide support networks across businesses (Suleiman, 2018) and can be a key part of the value proposition of an organisation for prospective and existing employees.

Many retailers are offering support to those disadvantaged and minority groups already within their organisation, yet more retailers should consider how they can drive inclusivity within recruitment by offering internal referral programs and specialist support. Currently, only 33% of retailers offer this. The grocery subsector was observed as the leader within this dimension, with all respondents offering support to disadvantaged or minority groups.

Retailers face the challenge of employee retention, where turnover is higher than most other industries (Fazan, 2022). Organisations can ensure they meet their employee needs and expectations by measuring employee well-being. Larger retailers have been proactive in this area, with all respondents conducting regular HR surveys and providing forums where opinions and concerns can be raised. Smaller organisations are less mature, with just 50% conducting similar initiatives.

A COMPARISON OF THE SPREAD OF MATURITY LEVELS IN LARGE AND SMALL COMPANIES IN QUESTION P1. TO WHAT EXTENT DOES YOUR ORGANISATION MONITOR THE WELL-BEING OF ITS EMPLOYEES (E.G., EMPLOYEE WELL-BEING/ENGAGEMENT SURVEYS, KPIS, ETC.)?



*Large companies consisted of companies with more than 10,000 employees or £800 million in revenue, and small companies were those that have less than 1,000 employees or £80 million in revenue.

Employee well-being data should be leveraged to track performance over time and translate insights into actionable strategies for change. The survey revealed 45% had benchmarked their data against specific measures to improve their approach to employee well-being. However, many retailers could improve in this area.

3 key takeaways for success

1. Prioritise diversity and inclusion for an engaged workforce and greater adoption of sustainable initiatives;
2. Provide forums for employees to voice concerns and raise awareness of important issues to encourage a more inclusive and open culture;
3. Aim for ongoing improvements to employee well-being by leveraging HR-collected data to gain deeper insights.

4. SUMMARY OF KEY FINDINGS: FINANCE, REPORTING, REGULATORY & RISK

RETAILERS ARE FOCUSED ON REGULATORY COMPLIANCE BUT MANY LACK CAPABILITIES IN CONSISTENT DATA REPORTING AND RISK QUANTIFICATION.

Sustainability and risk have a significant impact on business strategy and practices. Organisations must proactively address evolving regulations and effectively manage their sustainability related risks to ensure long-term competitiveness and reputation.

Retailers are progressing their reporting capabilities. Notably within Mixed Retail & Other, 42% of respondents maintained a regular reporting cadence for operational data and were able to provide the most relevant KPIs to support business decision making. However, just 9% of retailers were situated at the highest level of maturity where operational data was available on request signaling significant improvement opportunities for most. The ability to consistently access data reports allows organisations to fully incorporate sustainability indicators into the decision-making process.

A COMPARISON OF THE SPREAD OF MATURITY LEVELS FOR THE SUB-SECTORS IN QUESTION F2. IS SUSTAINABILITY OPERATIONAL DATA REGULARLY AND CONSISTENTLY MONITORED AND ABLE TO BE REPORTED ON AT ANY TIME? CAN YOU ACCESS AD-HOC REPORTS?

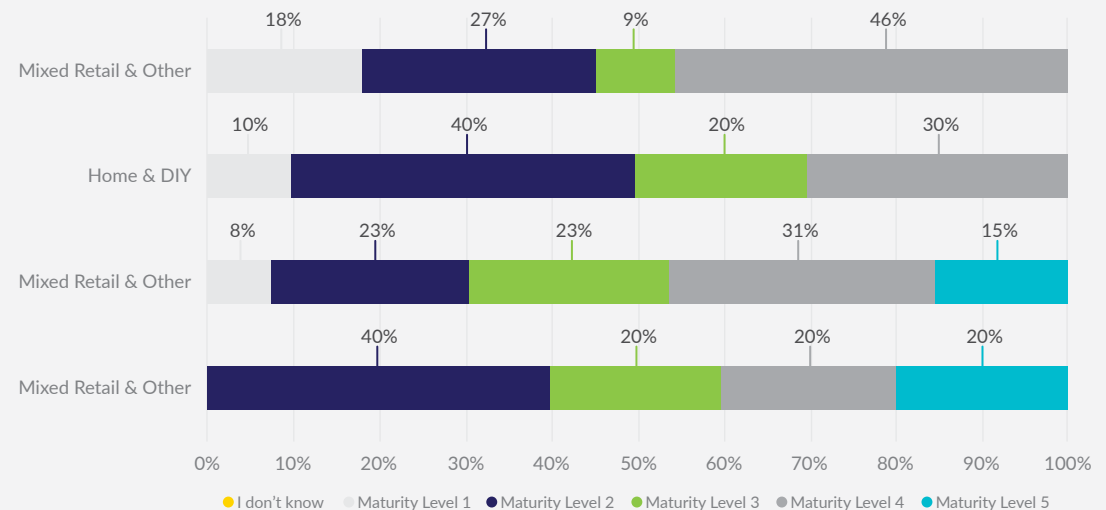


Figure 12. A comparison between the sub-sectors' Maturity Levels for question F2

To achieve greater maturity retailers must progress beyond focusing on internal organisational data and seek to encompass the sustainability performance of external stakeholders within their reporting. 45% of retailers did not report on the sustainability performance of external stakeholders. This absence in reporting was observed both amongst smaller and larger retailers, indicating a lack of maturity across the industry.

Awareness of legislative and industry standards was observed, a mere 2% of retailers were unaware of relevant regulatory standards and were not planning to act. Despite awareness of regulatory standards, 37% of retailers had not yet implemented changes to report progress and compliance.

THE SPREAD OF MATURITY LEVELS FOR QUESTION F3. ARE YOU COMPLIANT WITH (OR WORKING TOWARDS COMPLIANCE WITH) THE RELEVANT SUSTAINABILITY REPORTING REGULATIONS FOR YOUR INDUSTRY?

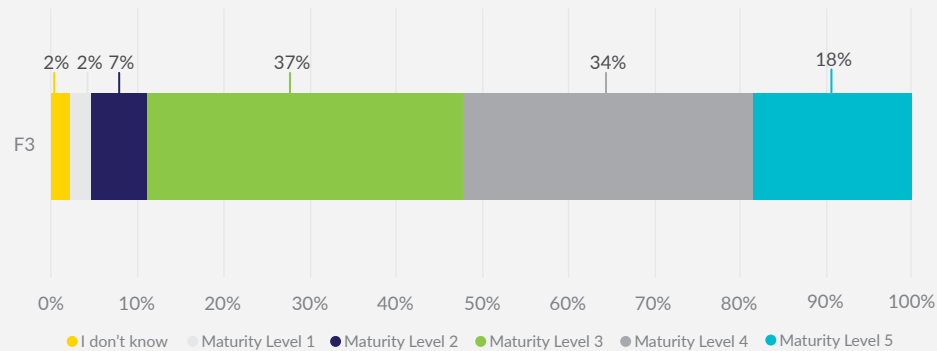


Figure 13. The spread of respondents' Maturity Levels for question F3

Remaining outward looking is paramount for organisations managing their sustainability strategy and related risks. Organisations should consider the reputational risks related to sustainability inaction and action. While most retailers have considered the reputational risks of sustainability inaction and action, 48% of respondents have not yet quantified these risks. Quantification is crucial to enable retailers to make informed decisions around resource allocation and identify what mitigating actions should be prioritised.

VODAFONE GROUP AND NESTLE HAVE SET UP PANELS OF EXPERTS TO CHECK ENVIRONMENTAL CLAIMS BEFORE THEY APPEAR ON PRODUCTS AND MARKETING, TO AVOID ALLEGATIONS OF GREENWASHING (HOLGER, 2023).

3 key takeaways for success

1. Leverage sustainability reporting for dual benefits: ensuring compliance whilst also providing insights for more informed decision-making;
2. Identify and quantify risks as a pre-requisite for mitigation, focus on developing reporting of financial and non-financial risks;
3. Encompass the sustainability performance of external stakeholders within reporting.

5. SUMMARY OF KEY FINDINGS: CUSTOMER & STAKEHOLDER CENTRICITY

RETAILERS SHOULD IMPROVE THEIR ABILITY TO TRACK THE SUSTAINABILITY OF THEIR PRODUCTS AND SERVICES TO IMPROVE COMMUNICATIONS WITH THEIR CUSTOMERS AND WIDER STAKEHOLDERS.

Enhancement of sustainability practices can be achieved by raising awareness of sustainable products and services both externally and internally. For many customers whether a product is environmentally or socially responsible is a purchase criterion. A Forrester survey found 69% of consumers in the UK are willing to pay more for sustainable or environmentally friendly products (Husson, 2023a). Retailers can benefit from communicating with customers about the sustainability of their products.

Despite the customer desire for sustainable products, some retailers still lack the capability to track the levels of sustainable products and services within their organisation and the revenue generated from these. 35% of retailers surveyed did not know what percentage of their portfolio was sustainable and 44% did not know what revenue came directly from sustainable products/services. The observed lack of tracking means retailers do not possess comprehensive information that they can communicate to customers. 41% of retailers have taken basic action to communicate social or environmental aspects of their products/services however, this could indicate that this communication may not be supported by data.

THE SPREAD OF MATURITY LEVELS FOR QUESTIONS C2 AND C3*

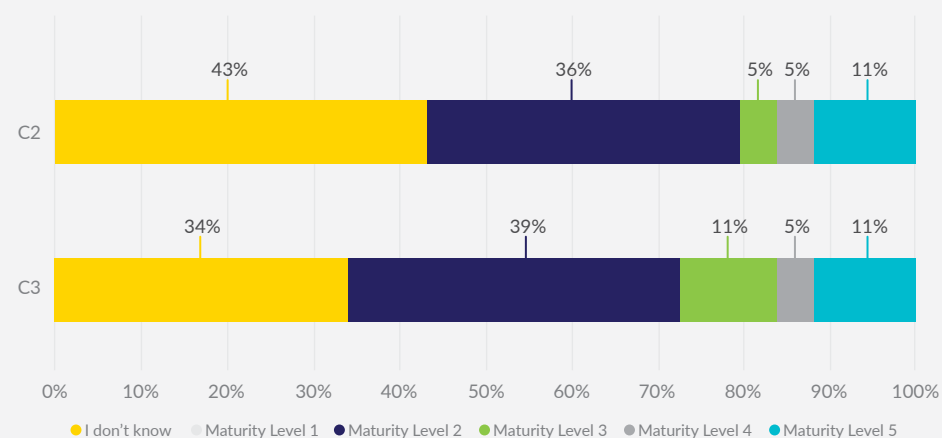


Figure 14. The spread of respondents' Maturity Levels for questions C2 and C3
 *C2. What % of your product/service portfolio is sustainable?
 C3. Furthermore, what % of your revenue comes directly from sustainable products/services (e.g., ethical products / ethically produced, recyclable, eco-designed, etc.)?

Organisations should enhance stakeholder communication by prioritising the development of data-backed insights on the sustainability of their products prior to initiating external communication. Ensuring a data-led approach can reduce the risks of reputational and trust damage from sustainability claims. Retailers must carefully manage their communication with customers. Only 32% of UK online adults trust companies when they say they'll commit to mitigating climate change (Husson, 2023b). Organisations with a better understanding of their product and service portfolio can also make changes if there is misalignment with sustainability ambitions.

60% of retailers reported that their external communication was consistent with their sustainability strategy. Yet, 57% of retailers reported less than 25% of their portfolio was sustainable. A disparity is apparent between what retailers are communicating and what is reflected in their offering. Organisations should address this by aiming for 'sustainability by design', where products and services speak for themselves and sustainability communication is both direct and indirect through reputation.

ALLBIRDS, A SHOE AND APPAREL RETAILER, HAS EMBEDDED SUSTAINABILITY INTO THEIR PRODUCT OFFERING. CO-FOUNDER AND CO-CEO JOSPEH ZWILLINGER HAS PREVIOUSLY EXPLAINED HOW ALLBIRDS "ACTUALLY THINK ABOUT THEMSELVES AS A MATERIAL INNOVATION COMPANY" WHERE THEIR PRODUCTS ARE PRINCIPALLY DESIGNED WITH THE CONSIDERATION OF THE "CARBON IMPACT" OF THE MATERIALS USED (HARVARD BUSINESS SCHOOL, 2022).

3 key takeaways for success

1. Thoroughly understand the sources of your product or service offering, focus on gaining visibility over sustainability metrics that can inform portfolio decisions and external communications;
2. Authentic communication is vital to maintain stakeholder trust, factual insights can form the basis for effective messaging;
3. Maintain a customer-centric approach by actively collecting insights into customer preferences regarding sustainability.



6. SUMMARY OF KEY FINDINGS: OPERATIONS & SUPPLY CHAIN

RETAILERS ARE ADVANCING SUSTAINABILITY EFFORTS WITHIN THEIR OPERATIONS, YET ENHANCED DATA AUTOMATION WOULD ENABLE FURTHER BENEFITS.

Scope 3 emissions are widely considered to account for more than 70% of many organisations' carbon footprint (Global Compact Network, 2023). In food retail, this is even higher, typically 80-90% (British Retail Consortium, 2023). Incorporating sustainability into supply chain practices is essential. Choices in sourcing, production and distribution can dramatically impact an organisations' environmental impact. However, retailers face complexity and transparency challenges. A study by Global data (2021) found that most retailers have little or no transparency in their supply chains.

Retailers appear to be making progress in overcoming transparency challenges, 47% of respondents reportedly measure their Scope 1, 2 and most Scope 3 emissions. However, just 14% of respondents collaborate with their suppliers to collect primary data to measure their Scope 3 emissions. Data accuracy and reliability of Scope 3 emissions calculations can be improved through collaboration with suppliers. However, retailers can face complexity in gathering information from suppliers. Differences in measurement methodology and inability to validate or challenge supplier data are challenges retailers currently face in this area. The role of data and technology to aid maturity within this dimension is critical.

Guiding an organisation's procurement and supply chain practices through a set of policies and criteria is a valuable measure to help embed sustainable action. Retailers have recognised this as 74% of respondents reported the presence of sustainability criteria in their sourcing process. It is evident that a barrier for small organisations exists as they were less likely to have a sustainable sourcing process in place compared to larger organisations. Small organisations face additional challenges, often having less leverage in procurement when acquiring goods and services.

Innovation in sustainability can be most effective when suppliers and partners are involved. Overlaps with opportunities for cost savings, process optimisation and resource efficiency mean collaboration can be highly valuable. It is apparent Retailers have understood this, around half (52%) are working with suppliers and partners to develop new or alternative products. retailers who are yet to collaborate should recognise the interconnectedness of their supply chain and consider proactive action.

THE SPREAD OF MATURITY LEVELS FOR QUESTION O2. TO WHAT EXTENT DO YOU WORK IN A COLLABORATIVE MODE WITH YOUR SUPPLIERS AND PARTNERS TOWARDS JOINT INNOVATION WHEN SOURCING NEW OR ALTERNATIVE PRODUCTS?

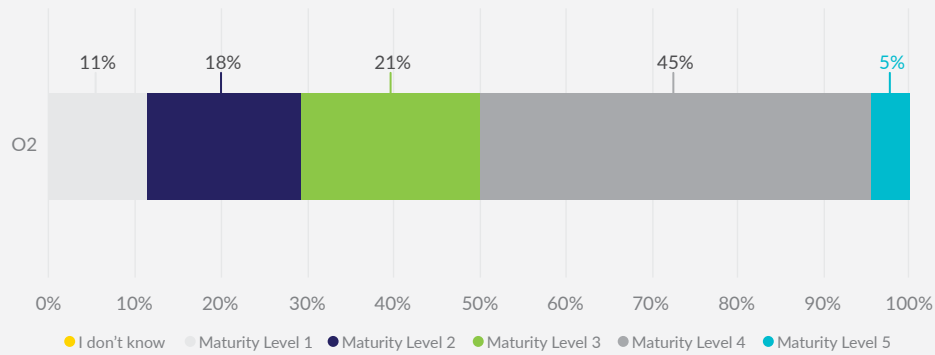


Figure 15. The spread of respondents' Maturity Levels for question O2

3 key takeaways for success

1. Visibility of your supply chain is a key requirement for progress, introduce or expand supplier mapping;
2. Implement the basics of sustainable procurement to enable and scale up sustainability transformation;
3. Recognise that the responsibility for sustainability lies with the retailer and supplier, co-creation can unlock greater innovation.

7. SUMMARY OF KEY FINDINGS: DATA & TECHNOLOGY

RETAILERS LACK MATURITY IN THE DATA AND TECHNOLOGY DIMENSION WITH LIMITED ADOPTION OF AUTOMATION TOOLS FOR DATA COLLECTION AND SCENARIO ANALYSIS.

A significant opportunity exists for retailers to improve their data and technology capabilities through the adoption of automation tools. Achieving automation can enable organisations to have more time to focus on value-adding activities such as co-development of new sustainable products. Tools for data collection can also improve data availability and reliability, pivotal factors in driving sustainability progress.

Retailers have not yet developed the capability to automate the collection of their sustainability data, with 87% reporting they manually collect data. This suggests retailers are uniformly struggling with implementing data solutions that can assist data gathering and reporting. Retailers are likely to encounter difficulties advancing in other dimensions without automated capabilities. Within operations and supply chain, gathering primary Scope 3 emissions data from suppliers without automation is unlikely.

THE SPREAD OF MATURITY LEVELS FOR QUESTION D3.
HOW AUTOMATED IS THE SUSTAINABILITY DATA GATHERING PROCESS?

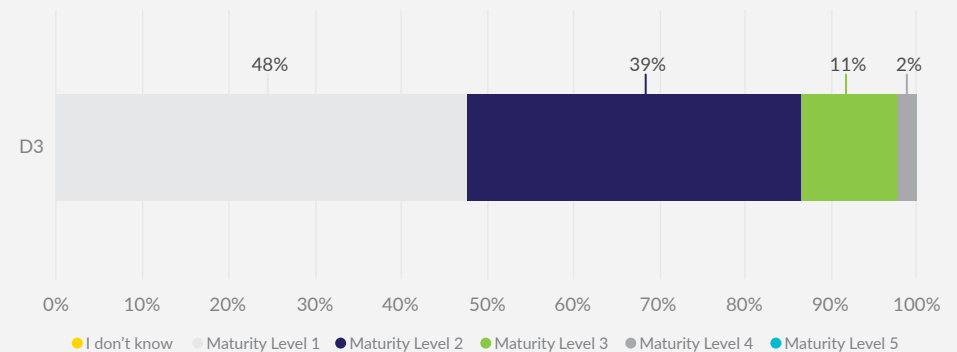


Figure 16. The spread of respondents' Maturity Levels for question D3



Having a central data configuration dedicated to ESG reporting and sustainability is a vital first step to having actionable data (Informatica, 2023). Harmonising internal data to produce a single source of truth can increase transparency of performance within an organisation and can be a critical enabler for other dimensions of sustainability maturity. Accurate measurement of environmental KPIs is required for several aspects of sustainability maturity such as variable remuneration policies and stakeholder communication. This is an undeveloped area for retailers', just 2% have data configurations that can be extracted centrally from one single source.

Scenario analysis is a valuable tool for organisations seeking to understand the effects of their sustainable initiatives. Having the ability to create multiple scenarios by inputting different parameters and variables can allow an organisation to assess the effects of initiatives across a range of environmental, economic, and social indicators. Such an approach can help avoid costly implementations that lack impact. Scenario analysis can support a greater risk assessment and a more informed decision-making process. Despite this, 74% of retailers currently lack access to tools for simulating the effects of sustainability related changes. Retailers should regard this as a barrier to progress and make it a priority to develop or adopt simulation software.

3 key takeaways for success

1. Invest in digitalisation, not all tools are complex and costly;
2. Gain a comprehensive understanding of KPIs and data that need measurement to identify where technology can offer optimal support;
3. Acknowledge that investing in this dimension will enable progression in other operational aspects and support in driving executive buy-in.

CONCLUSION

RECOMMENDATIONS TO INCREASE SUSTAINABILITY MATURITY WITHIN THE UK RETAIL INDUSTRY

The assessment of retailers across the seven dimensions indicated varying degrees of sustainable maturity and progress within each area. Retailers maintain that sustainability is a business driver yet the extent to which this has been translated into action and results is varied across sub-sector and business size.

For progression across all dimensions retailers must focus on enhancing data and technology capabilities, adopting an external mindset, and recognising the pivotal role of employees in driving sustainability initiatives.

Data and Technology emerged as the least mature dimension, highlighting the untapped potential of automated tools. Investing in this dimension is crucial for overall progress. Greater automation and visibility across sustainability metrics can inform portfolio decisions, external communication, ensure greater regulatory compliance and facilitate supply chain improvements.

To advance, retailers must embrace an external mindset, considering macro trends and involving external stakeholders to drive progress. For example, establishing an external sustainability committee can drive greater accountability and improve an organisation's governance structure. While more effective stakeholder management can be maintained by actively collecting insights into customer preferences and collaboration with suppliers can drive greater innovation within operations.

Retailers must not lose sight of the importance of employee buy-in to their sustainability strategy. Crucially, acknowledging that the success of any sustainability strategy depends on the capabilities of the individuals delivering the changes. Continuous improvement in employee well-being and role-specific sustainability training and KPIs are essential for sustained progress.

Such focus will enable retailers to deliver on the strategies being put in place and close the current gap between recognition and action that is indicated.

APPENDICES

References

- Allamano, C.B. (2023) What the workplace needs right now: A paradigm shift in thinking around wellbeing and Sustainability, Forbes. Available at: <https://www.forbes.com/sites/carabrennanallamano/2023/04/24/what-the-workplace-needs-right-now-a-paradigm-shift-in-thinking-about-wellbeing-and-sustainability/?sh=1d7c9cfc13b5> (Accessed: 14 November 2023).
- British Retail Consortium. (2023) Emissions Scopes & Boundary Setting, Emissions scopes & boundary setting. Available at: <https://brc.org.uk/climate-roadmap/section-2-retail-industry-emissions-profile/21-emissions-scopes-boundary-setting/> (Accessed: 14 November 2023).
- British Retail Consortium. (2022) Monitor, Measure and Report Supply Chain Scope 3 Emissions: New Guide. Available at: [Monitor, Measure and Report Scope 3 Emissions \(brc.org.uk\)](https://brc.org.uk/monitor-measure-and-report-scope-3-emissions/) (Accessed 02/11/2023).
- Case, S. (2023) 9 sustainability takeaways from NRF 2023: Retail's Big Show, National Retail Federation. Available at: <https://nrf.com/blog/9-sustainability-takeaways-nrf-2023-retails-big-show> (Accessed: 14 November 2023).
- Currys. (2022) Currys launches new 'Long Live Your Tech' customer commitment as UK faces growing e-waste problem. Available at: [Currys launches new 'Long Live Your Tech' customer commitment as UK faces growing e-waste problem | Currys PLC](https://www.currys.co.uk/press-releases/currys-launches-new-long-live-your-tech-customer-commitment-as-uk-faces-growing-e-waste-problem) (Accessed 17 January 2024).
- Fazan, K. (2022) 'Retail Staff Turnover Is High: Is It Time We Simply Accept This?', International Retail Academy, 23 November. Available at: [Retail Staff Turnover Is High: Is It Time We Simply Accept This? \(theinternationalretailacademy.com\)](https://www.theinternationalretailacademy.com/retail-staff-turnover-is-high-is-it-time-we-simply-accept-this/) (Accessed 14 November 2023).
- Global Compact Network. (2023) Scope 3 Emissions, unglobalcompact.org.uk. Available at: <https://www.unglobalcompact.org.uk/scope-3-emissions/> (Accessed: 14 November 2023).
- Global Data. (2021) 'ESG in Retail and Apparel: Thematic Research: Retail', Global Data.
- Harvard Business Review. (2022) Podcast, Podcast - Business & Environment - Harvard Business School. Available at: <https://www.hbs.edu/environment/podcast/Pages/podcast-details.aspx?episode=7166787000> (Accessed: 14 November 2023).
- Holger, D. (2023) 'Vodafone and Nestlé Created Panels to Avoid "Greenwashing" Allegations', Wall Street Journal, 23 May. Available at: <https://www.wsj.com/articles/vodafone-and-nestle-created-panels-to-avoid-greenwashing-allegations-63fff965> (Accessed: 14 November 2023).
- Husson et al. (2023a) 'Forrester's 2023 Green Consumer Segmentation: Europe', Forrester, p.4.
- Husson et al. (2023b) 'The State of the UK Shopper and Environmental Sustainability, 2023', Forrester, p.9.
- ICAEW, 2023. UK executive pay increasingly linked to ESG targets. Available at: [UK executive pay increasingly linked to ESG targets | ICAEW](https://www.icaew.com/insights/news/2023/uk-executive-pay-increasingly-linked-to-esg-targets) (Accessed 17 January 2024).

Informatica. (2023) Retail needs better ESG reporting, Retail Week. Available at: <https://www.retail-week.com/retail-voice/retail-needs-better-esg-reporting/7043947.article> (Accessed: 14 November 2023).

Karki, H. (2022) 'Address Consumers' Sustainability Priorities to Improve Future Performance in Retail', Gartner.

LHH. (2023) How can the retail industry overcome its retention problem?, LHH. Available at: <https://www.lhh.com/uk/en/insights/how-can-the-retail-industry-overcome-its-retention-problem/#:~:text=The%20British%20Retail%20Consortium%27s%20quarterly,rate%20of%20just%20over%2050%25>. (Accessed: 14 November 2023).

Masters, B. (2023) 'BlackRock study finds gender-balanced companies outperform peers', Financial Times , 2 November. Available at: <https://www.ft.com/content/f8b902b9-ca9a-42db-a3cd-97fe2cc13863> (Accessed: 14 November 2023).

Suleiman, A. (2018) 'How businesses can engage BAME employees', HR Magazine, 13 November. Available at: <https://www.hrmagazine.co.uk/content/features/how-businesses-can-engage-bame-employees/> (Accessed: 14 November 2023).

Tesco. (2022) No time for waste as Tesco pledges to halve food waste five years early, Tesco PLC. Available at: <https://www.tescopl.com/no-time-for-waste-as-tesco-pledges-to-halve-food-waste-five-years-early/#:~:text=Tesco%20will%20be%20one%20of,reduction%20in%20its%20own%20operations>. (Accessed: 14 November 2023).

The Green House Gas Protocol. (2015) A Corporate Accounting and Reporting Standard. Washington DC, World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

Research approach and methodology

Commissioned by the BRC, this benchmarking survey was designed based on the BearingPoint Sustainability 360 Maturity assessment and is a “light” version of a more in-depth methodology and assessment. The survey focuses on the following seven key areas to provide a holistic overview of “as-is” sustainability maturity: Strategy: Governance & Organisation; Finance, Reporting, Regulatory & Risk; People & Culture; Operations & Supply Chain; Data & Technology; Customer & Stakeholder Centricity.

The objective of the study was to assess the sustainability maturity of BRC members via a survey-based approach, in which respondents were required to self-report their maturity level against a 5-point Likert scale. Each question had its own predefined set of guidelines for each maturity level as defined in the following table (figure xx). The ultimate objective was to enable BRC members to benchmark their performance against their peers and to support the BRC in identifying key areas of support required by their members in 2024 and beyond.

A full S360 study would typically cover seven key dimensions with 30 sub-topics and include c. 250 questions, explored via interviews of key representatives from each of the seven dimensions (i.e. Finance, Regulatory, Risk & Reporting – CFO or equivalent). The result would be a detailed study of the as-is status of a company’s sustainability maturity, with deep-dive insights on each sub-topic and a roadmap with jointly prioritised concrete measures.

For the purposes of this study, in collaboration with the BRC, we have condensed the question-set across each of the seven dimensions to enable one representative from each organisation to self-report their maturity.



Questions & Maturity Levels

Strategy

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|--|--|---|--|--|--|
| S1. To what extent is sustainability embedded in your mid- and long-term vision/ strategy? | Sustainability is not considered in our strategy | The priority is to be compliant with relevant requirements and limit extra financial risks, thus, sustainability considerations have only a low impact on business. | Sustainability is a business driver: new services and products with different level of environmental impact are being/have been developed; but the business model has not been changed. | Sustainability is systematically driving business and strategic decisions. New business models driven by sustainability have been implemented (e.g., selling your products as Product-as-a-service, Leasing, Sharing). | The whole business model(s) is(are) consistent with socio-environmental stakes. |
| S2. Do you have a clear roadmap and objectives for the next 1-5 years horizon? | No Sustainability roadmap. | There are qualitative ambitions/targets or even few quantitative targets to achieve compliance, no more. | There is a clear roadmap with quantitative targets, associated timeline and actionable projects. Not all the sustainable targets are covered, but the ambition level is beyond compliance. | Same as L3, in addition, there is at least one project per target. Projects have been qualified and quantified (RACI, KPIs, planning, CAPEX/OPEX/ROI where relevant). | The roadmap has been shared externally to create transparency and ensure action. |
| S3. How have you considered the impacts of ESG macro trends within 10/20/30 years, on your organisation's strategy? Have you performed a horizon scanning exercise? | No horizon scanning exercise performed (future macro trends are not considered). | A horizon scanning exercise has been performed, considering macro trends directly impacting us. We are working towards including the output within the strategic orientation of the organisation. | Same as L2; in addition, the output is aligned with the strategic orientations and the sustainability roadmap. | Same as L3; in addition, the exercise is performed with a representative panel of internal and external stakeholders. | A horizon scanning exercise has already been performed in the past and is regularly updated. Outputs are continually considered and implemented. |

Governance & Organisation

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|---|---|---|---|---|---|
| G1. To what extent do you provide training (or structured information of any other kind) for your employees to create awareness of your sustainability ambitions | No training or structured information is provided. | We provide basic awareness on key social and environmental issues to employees. impact on business. | We provide specific training modules or structured information that explain our socio-environmental impacts, the strategy and roadmap put in place in relation to these impacts developed; but the business model has not been changed. | Same as L3; in addition, we also support and encourage our employees to become actively involved in contributing to our sustainability ambitions. | Alongside general training and awareness, employees are provided with specific training relative to their function that enables them to directly contribute to the business sustainability goals and ambitions. |
| G2. To what extent does the achievement of sustainability targets impact variable remuneration? | There's no link between the achievement of sustainability targets and the compensation mechanisms we provide. | Part of the CEO's variable compensation is affected by the achievement of sustainability targets. | The CEO and the wider C-suite's variable compensation is affected by the achievement of sustainability targets. | Same as L3; in addition, the achievement of sustainability targets also impacts some of the collective variable compensation. | Same as L4; in addition, the achievement of sustainability targets also impacts both collective and individual variable compensation for all employees who have an individual variable compensation. |

| | | | | | |
|--|---|---|--|--|--|
| <p>G3. What governance structures are currently in place within your organisation to facilitate your sustainability ambitions (at strategic and operational level)?</p> | <p>There is no governance structure to ensure the creation and achievement of sustainability ambitions.</p> | <p>Sustainability topics are incorporated into some pre-existing committees</p> | <p>There are strategic and operational committees specifically dedicated to sustainability.</p> | <p>Same as L3; in addition, sustainability ambitions and projects are systematically reviewed in regular/pre-existing governance committees (executive, steering committees, project committees...).</p> | <p>Same as L4; in addition, there is also a committee with external stakeholders to challenge and monitor the achievement of our sustainability ambitions.</p> |
| <p>G4. Beyond the CSR or Sustainability team, how embedded is sustainability across your organisation (covering different geographies, functions, activities)?</p> | <p>Only the group CSR or Sustainability Team oversees sustainability concerns/few additional people from the wider business are involved.</p> | <p>Same as L1; in addition, there is an unorganised network of volunteers who are responsible for some sustainability concerns/sustainability-related projects.</p> | <p>Same as L2; but the network of volunteers is organized with representatives who coordinate with the CSO or equivalent on sustainability. However, the network represents a few % of our organisation headcount.</p> | <p>Same as L3; but the network is more spread in our organisation.</p> | <p>Same as L4; but the network covers more than 70% of our organisation headcount.</p> |

People & Culture

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|--|---|---|--|--|--|
| P1. To what extent does your organisation monitor the well-being of its employees (e.g., employee well-being/ engagement surveys, KPIs, etc.)? | We don't have dedicated measures or KPIs in place to measure the well-being and/or health of our employees. | We conduct a regular (e.g., yearly) Human Resources survey to determine the well-being of our employees | Same as L2; in addition, we also provide relevant forums where employees can voice their opinion/concerns. | Same as L3; in addition, the data collected is benchmarked against specific measures to improve the approach to employee well-being. | Same as L4; in addition, we have received external recognition in this area. |
| P2. To what extent does your organisation provide support (e.g., initiatives, programmes, etc.) to employees from disadvantaged/ minority groups (e.g., women, people of colour, etc.)? | We don't offer any support to disadvantaged/ minority groups. | We offer support (e.g., initiatives, programmes, etc.) to disadvantaged/ minority groups upon request. | Same as L2; in addition, we also create awareness on this matter within the wider workplace. | Same as L3; in addition, we also offer specialised training for disadvantaged/ minority groups. | Same as L4; in addition, we provide internal referral programs for employees from a disadvantaged/ minority group. |

Finance, Risk, Regulatory & Reporting

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|---|---|--|---|---|---|
| F1. To what extent do you report on the sustainability performance of external stakeholders? | We don't report on the sustainability performance of external stakeholders. | We have data on our external stakeholders but do not report it. | Same as L2; in addition, there is the ambition to report it, but we do not have a timeline. | Same as L3; in addition, we have a well-defined strategy for presenting this data. We have developed a comprehensive communication strategy to actively involve and keep pertinent stakeholders informed. | The sustainability performance of all our external stakeholders is fully incorporated into our reporting and available externally. |
| F2. Is sustainability operational data regularly and consistently monitored and able to be reported on at any time? Can you access ad-hoc reports? | We have no reporting at all. | We follow the minimum cadence to comply with regulations/we report on an annual basis. We aren't able to access ad-hoc reports to support with business decision making. | We report on a quarterly basis but are not able to access ad-hoc reports to support with business decision making. | We follow a regular reporting cadence and are also able to provide the most relevant KPIs on request to support business decision making. | We follow a regular reporting cadence and are also able to provide all sustainability reporting data on request, which allows us to incorporate this into the decision-making processes. |
| F3. Are you compliant with (or working towards compliance with) the relevant sustainability reporting regulations for your industry? | We are not aware of relevant regulatory standards and therefore aren't taking any action. | We are aware of relevant regulatory standards but have not yet taken any action. | We are aware of legislative and industry standards, as well as major regulatory changes at selected intervals and have established a plan to take action to comply. | We are aware of all major mandatory standards and track their changes continuously, as well as potential impact on us and have started reporting accordingly, although there is still some work to be done. | We are aware of mandatory and optional standards for sustainability and track all relevant changes; we assess our compliance against them regularly. We report on all relevant aspects of the aforementioned. |

| | | | | | |
|---|---|--|--|--|---|
| <p>F4. To what extent do you have a mitigation plan for specifically identified sustainability risks?</p> | <p>We have not identified specific risks and have no corresponding mitigation plan.</p> | <p>We have identified specific risks, but no plans have been made.</p> | <p>We only have generic plans for a few selected risks but no idea of the financial implications</p> | <p>We have plans for specific selected risks including the financial implications.</p> | <p>We have completed a full study and identified all sustainability related risks, including the financial implications, relevant to us and have a formalised mitigation plan for all risks. This plan is visible at board level.</p> |
| <p>F5. How far have you considered the reputational risks related to sustainability inaction and action?</p> | <p>We have not considered reputational risks at all.</p> | <p>Same as L1; but there is the ambition to do so.</p> | <p>We have partially considered reputational risks but have not yet quantified.</p> | <p>We have quantified the reputational risks, but tangible next steps are not defined.</p> | <p>We have fully considered, quantified and reflected the reputational risks in our strategy and roadmap.</p> |

Customer & Stakeholder Centricity

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|--|--|--|--|--|--|
| C1. To what extent is external stakeholder communication consistent with the organisation's sustainability strategy? | No alignment between external communication and our sustainability strategy. | Not yet aligned, but we understand the importance and are planning to make efforts to align strategy. | External communication is partially aligned and somewhat consistent with our sustainability strategy (e.g., aligned communication on Social OR environmental). | Communication strategy is fully aligned and consistent with our sustainability strategy (both social AND environmental). | Sustainability is part of our DNA (sustainable by design) therefore, the product "speaks for itself". As such, communication is fully aligned with the sustainability strategy and also indirectly through reputation. |
| C2. What % of your product/service portfolio is sustainable? | 0% | Between 0% and 25% | Between 25% and 50% | Between 50% and 75% | 75% and over |
| C3. Furthermore, what % of your revenue comes directly from sustainable products/services (e.g., ethical products / ethically produced, recyclable, eco-designed, etc.) ? | 0% | Between 0% and 25% | Between 25% and 50% | Between 50% and 75% | 75% and over |
| C4. To what extent have actions been taken/planned to communicate the sustainability of your products/services? | No actions taken or communication planned/performed | We are yet to take action to communicate the sustainability of its products/services, but plans have been made to do so with a defined roadmap and key target completion date. | We have taken basic actions to communicate either the social OR environmental sustainability aspects of our products/services. The communication isn't necessarily supported by facts or science-based research. | Sustainability is in the product/service DNA. They are sustainable by design, to the extent that the products/services speak for themselves. Sustainability communication is both direct and through reputation. | Sustainability is in the product/service DNA. They are sustainable by design, to the extent that the products/services speak for themselves. Sustainability communication is both direct and through reputation. |

Operations & Supply Chain

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|--|--|--|--|---|---|
| O1. Do you have processes in place to source sustainably? | We don't have any sustainability included in our sourcing processes. | We don't have any sustainable sourcing processes in place yet, but we are working on it (cost is our main driver for awarding decision). | We have sustainable criteria but don't leverage them in the decision making. | We have criteria and include them in the decision making with a limited/low weight behind cost and quality. | We have sustainable sourcing processes in place and weight sustainable criteria as much as quality or cost criteria. |
| O2. To what extent do you work in a collaborative mode with your suppliers and partners towards joint innovation when sourcing new or alternative products? | Innovation is only driven internally, and we do not discuss this with suppliers or partners. | Suppliers can propose few alternatives, but they must respect our product specifications. | Not yet, but we are working on a programme to co-innovate with suppliers and partners. | We are already working with some suppliers and partners to co-develop new or alternative products. | We have a strong programme to drive external innovation through our supplier networks and other external partners (e.g., universities, consortium). |
| O3. To what extent do you currently measure your emissions across Scopes 1, 2 and 3? | We don't measure any emissions yet. | We measure Scope 2. | We measure Scope 2 and 1. | We measure Scope 2, 1 and some of the Scope 3 related categories. | We measure Scope 2, 1 and most of the upstream and downstream Scope 3 related categories. |
| O4. How do you collaborate with your suppliers to collect primary data to measure your scope 3 emissions? | We don't measure our scope 3 emissions yet. | We measure our scope 3 emissions for limited critical suppliers/ categories, based on secondary data only. | We collaborate with few strategic suppliers to collect their primary data and measure other scope 3 emissions for critical suppliers/ categories based on secondary data | We collaborate with most strategic suppliers/categories to collect their primary data and leverage secondary data for less critical suppliers/ categories | Same as L4; but we leverage secondary data only to complete missing information for few suppliers/ categories |

Data & Technology

| Question | Maturity Level 1 | Maturity Level 2 | Maturity Level 3 | Maturity Level 4 | Maturity Level 5 |
|--|--|---|--|--|--|
| D1. To what extent are you able to consistently measure if you are on track to meet your sustainability goals and KPIs? | We aren't able to measure the progress of our sustainability goals and KPIs. | We can, but it is inconsistent, not done with a regular cadence or it is very difficult. | We can, but the process could be improved (i.e., it could be more consistent, with a regular cadence, it could be easier). | We can, and we are starting to use these measurements to inform decision making and strategy. | We can, on top, this information is used in regular governance & board meetings to support business decisions & inform strategy. |
| D2. Are you able to simulate the effects of implementing sustainability related changes (scenario analysis)? | We don't have a simulation tool that can do this. | We have just started with this in parts of our organisation. These departments are familiar with scenario analysis and do it to spot efficiencies. We aren't using one harmonised tool to support this. | A dedicated team is working on identifying sustainability improvements with specialised tooling. Their insights are shared but they are not used to base business decisions on. | Simulating effects to identify sustainability improvements is widely used across the business. Sustainability criteria is becoming increasingly important to base business decisions on. | Simulation software is available to everyone and used to identify sustainability improvements firmwide. Sustainability criteria is an important factor in every business decision. Insights are shared externally. |
| D3. How automated is the sustainability data gathering process? | Data is manually gathered and often manually copied in another system. | We are working on gathering essential environmental & social data automatically but most of it is still done manually and working on automating some data streams | Essential environmental & social data is gathered automatically. We are working towards better data integration i.e., some of the data streams are automated with some manual gathering. | We have an automatic data gathering process. Some data configurations can be done centrally. | There is full data integration between all systems. All data configurations can be done centrally i.e., from one single source. |
| D4. Do you have any specific tools used for the measurement of your carbon footprint? | We don't measure our carbon footprint, so we don't have any tools. | We are starting to measure carbon in some parts of the organisation. We use proprietary, tools such as spreadsheets. Carbon is not measured firmwide. | We measure firmwide carbon emissions on Scope 1 & 2. A dedicated (internal or external) team is responsible however we don't have a specialised tool. | We take carbon measuring seriously, we have an internal team that measures Scope 1, Scope 2, and is starting to measure Scope 3. The data is stored in a dedicated system. | Same as L4; in addition, one system is used across all regions/countries business sites. We ask suppliers to report on data and enable them to upload the relevant data by themselves. |

BRC CLIMATE ACTION ROADMAP

BRCS's Better Retail World campaign commits the Retail industry to build a fairer, more sustainable economy in line with the UN Sustainable Development Goals.

One of the critical goals determined by us and our stakeholders is Climate Action.

The BRC Climate Action Roadmap is the framework to guide the industry to Net Zero.

Supporters of the BRC Climate Action Roadmap commit to working with other retailers, their suppliers, Government and other stakeholders, and to support customers to collectively deliver the industry's Net Zero ambition.

ABOUT BEARINGPOINT

BearingPoint is an independent management and technology consultancy with European roots and a global reach. The company operates in 3 business units: Consulting, Products and Capital. Consulting covers the advisory business with a clear focus on selected business areas. Products provides IP-driven digital assets and managed services for business-critical processes. Capital delivers M&A and transaction services.

BearingPoint's clients include many of the world's leading companies and organisations. The firm has a global consulting network with more than 13,000 people and supports clients in over 70 countries, engaging with them to achieve measurable success.

BearingPoint®



The Form Rooms, 22 Tower Street
London WC2H 9NS



info@brc.org.uk



brc.org.uk



twitter.com/the_brc



linkedin.com/company/thebrc



+44 20 7854 8900



Centennium House 100 Lower Thames Street
London EC3R 6DL



Bearingpoint.com



@bearingpoint



Linkedin.com/company/bearingpoint



+44 20 7337 3000

