

AlixPartners

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BRC
CLIMATE
ACTION ROADMAP



COMMERCIAL IMPERATIVE OF CARBON MANAGEMENT AND HOW TO ACHIEVE IN PRACTICE

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EXECUTIVE SUMMARY

GOVERNMENTS AND CONSUMERS ARE INCREASINGLY PRESSURING THE RETAIL INDUSTRY TO TAKE STRONGER ACTION ON SUSTAINABILITY. WHILE MANY RETAILERS HAVE AMBITIOUS GOALS, MOST ARE NOT ON TRACK TO MEET THEIR DEADLINES. TO IMPROVE PERFORMANCE, RETAILERS NEED TO ADOPT A DATA-DRIVEN APPROACH, PUT GREENHOUSE GAS DATA AT THE CORE OF BUSINESS DECISIONS, STRUCTURE A PRODUCT FOOTPRINTING APPROACH THAT CREATES ACCOUNTABILITY ACROSS THE ENTIRE SUPPLY CHAIN AND EMPOWERS THE OPERATING TEAMS TO DELIVER.



INTRODUCTION

Calls are mounting to act on climate change, and governments and consumers worldwide are pressuring businesses to act. Consumers and employers are now more aware than ever of how business activities affect the environment. Activist investors are increasingly vocal about corporate policies and sustainability metrics. And as the Paris Agreement deadlines approach to meet the target of 1.5°C reduction, less than half of companies are on track to meet their goals.

As the retail industry commits to net zero operations and products by 2040, the BRC Climate Action Roadmap offers a path forward. With the support of most UK retailers, it provides practical solutions to reduce carbon emissions by working with suppliers and consumers. The roadmap aims to do this through five pathways: putting GHG data at the core of decision-making; operating efficient sites with renewable energy; moving to low carbon logistics; sustainable sourcing; and helping employees and customers live low carbon lifestyles.

Many retailers already have sustainability-related commitments, but the scale of requirements can be overwhelming. Retailers not only have to consider their operations and carbon footprint but that of their suppliers and distributors. To determine the level of collaboration needed across the value chain for net zero to become a reality, AlixPartners conducted proprietary research into the carbon commitments and financial indicators of 235 of the largest food & beverage companies in North America and EMEA. While most companies have plans to directly control their Scope 1 and Scope 2 emissions, they particularly struggle with Scope 3 emissions.

As time is running short, retailers now need a clear strategy and implementation plan. The scale of the decarbonization challenge requires retailers to work with all stakeholders, including suppliers, government, and consumers, to enable the necessary market transformations. In addition to a practical and measurable action plan working in concert with suppliers they will need a team with designated responsibilities and a reporting structure tailored to the organization's ESG status. To measure performance, retailers can look to the help of a Science Based Targets initiative (SBTi) and external advisors. When combined with new methodologies and solutions, retailers can set goals, track progress, determine required investments, drive continuous improvement, assess supplier collaboration and enforce penalties or provide incentives. For example, AlixPartners' Should Carbon™ methodology makes measuring, mapping, and reducing supplier carbon easier, translating measurement into actionable plans at each stage of planning, procurement, and supplier management processes.



“Calls are mounting to act on climate change, and governments and consumers worldwide are pressuring businesses to act.”

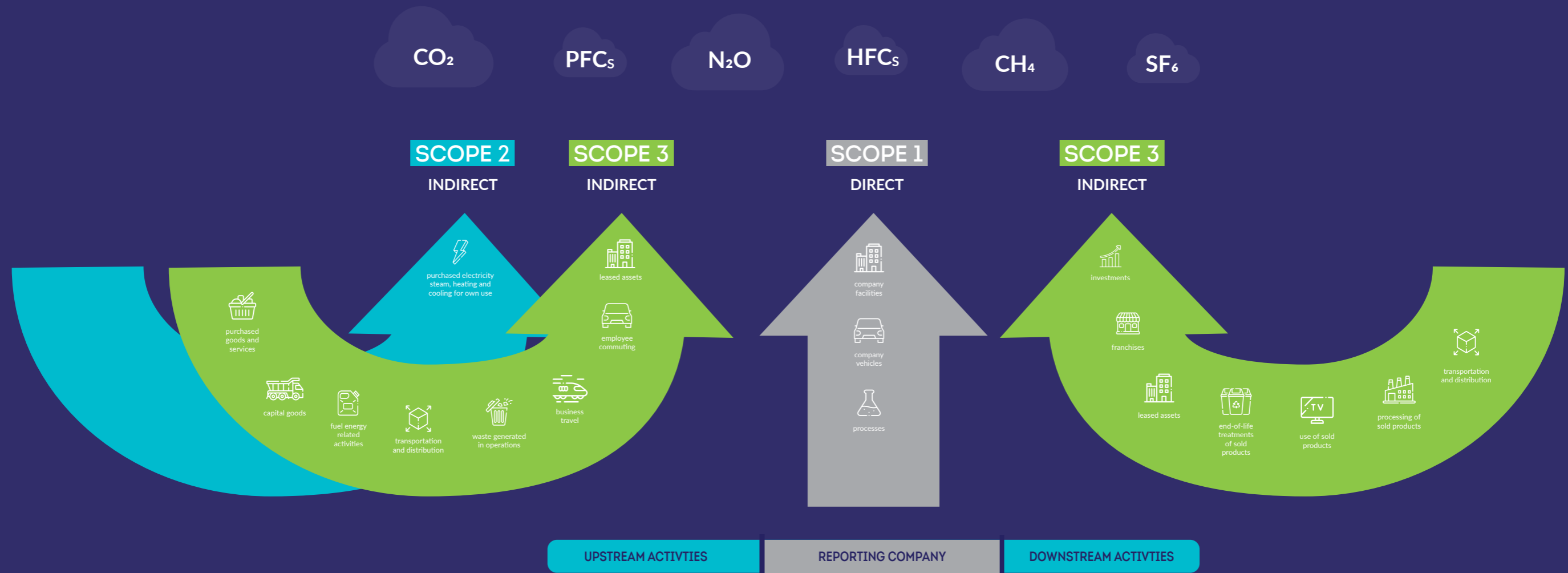
Mondra has developed their platform to allow food retailers to perform product lifecycle assessment in an automated way to understand the full value chain impact of their products and engage suppliers to improve performance on a single interconnected platform for live product insights.

As carbon reduction requires expert management of a complex stakeholder environment across the value chain, retailers need all the help they can get. AlixPartners and Mondra have partnered to share our expert knowledge and technical capabilities to support retailers through this journey. This guide helps retailers understand the commercial imperatives of putting product level GHG data at the core of their business decisions and offers use cases for managing product-level carbon emissions. It will help retailers of all sizes identify where and how to achieve the greatest impact and cover the critical actions UK retailers need to take to achieve decarbonization.



THE CHALLENGES OF MONITORING AND CONTROLLING SCOPE 3 EMISSIONS

SCOPE 3 EMISSIONS RESULT FROM ACTIVITIES OR ASSETS NOT OWNED OR CONTROLLED BY THE REPORTING ORGANIZATION, BUT WHICH INDIRECTLY IMPACT ITS VALUE CHAIN. IN THE RETAIL INDUSTRY, THIS CAN INCLUDE EMISSIONS FROM RAW MATERIALS, TRANSPORTATION, SUPPLY CHAIN, AND CONSUMERS WHO USE AND DISPOSE OF THE PRODUCTS. THESE EMISSIONS CONSTITUTE THE LARGEST SHARE OF THE RETAIL INDUSTRY'S FOOTPRINT AND ACCOUNT FOR 90% OF A RETAILER'S GREENHOUSE GAS EMISSIONS.



CONFIDENCE LEVELS ACROSS THE VALUE CHAIN

While many retailers have established carbon reduction targets, their progress to date is not in line with the goals set by the Paris Agreement. Supply, manufacturing, and retail executives have high confidence in Scope 1 and 2 emissions but are uncertain about meeting their Scope 3 goals.

Company executives from suppliers, manufacturers, and retailers indicate they are not confident about meeting their scope 3 goals despite comparatively higher levels of confidence for scopes 1 and 2 emissions (figure 3). Retailers in particular lack confidence and feel an absence of control over their supplier emissions, indicating systemic issues that will demand a fulsome solution with unprecedented levels of collaboration across trading partners.

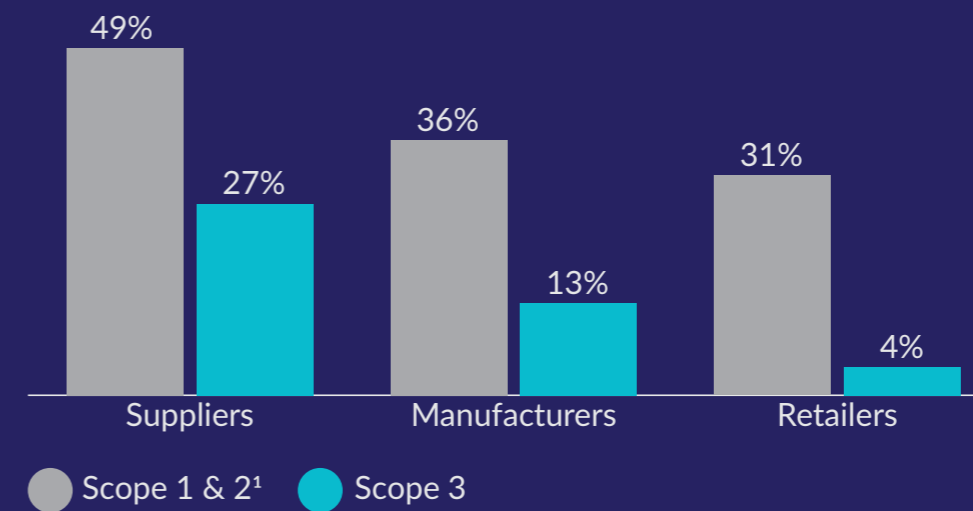
Only 4% of retailers (compared to 13% of manufacturers and 27% of suppliers) are sure they will meet their carbon footprint goals. In addition, only 19% of retailers feel they are successful in measuring their carbon footprint.

This lack of confidence can be attributed in part to the complexity of measuring carbon emissions up and down the supply chain (figure 4). A lack of standardization in measuring and often even talking about sustainability contributes to this complexity, making it difficult for companies to navigate current demands, let alone accelerate reduction.

While suppliers and manufacturers are responsible for the most carbon products, they don't always believe their upstream customers will compensate them for reducing it. As a result, retailers will only achieve results when they actively engage the entire value chain.

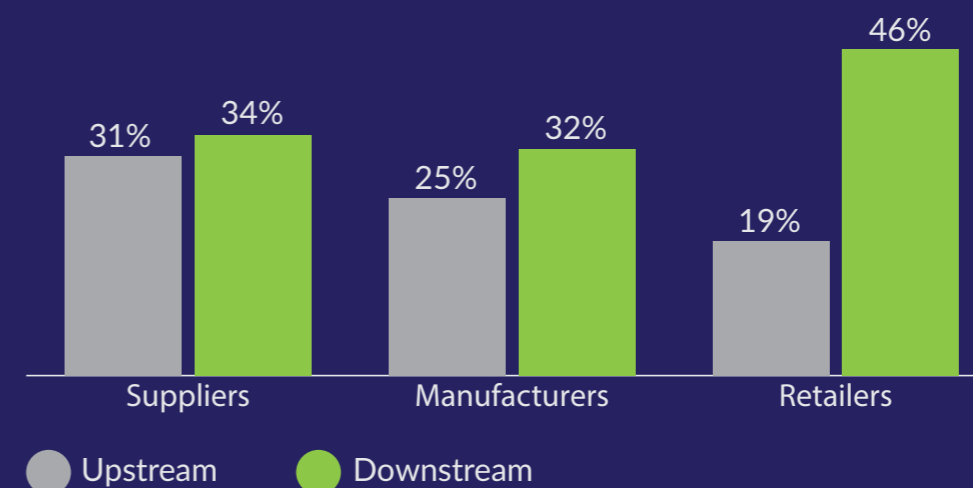
“ Only 4% of retailers (compared to 13% of manufacturers and 27% of suppliers) are sure they will meet their carbon footprint goals.

FIGURE 3: PERCENT WHO ARE VERY CONFIDENT THEIR COMPANY WILL MEET ITS CARBON FOOTPRINT GOALS







1. Average of scopes 1 and 2 responses by location in value chain; Very confident = Selecting 5 out of 5 on a scale of 1 to 5

FIGURE 4: EXECUTIVES WHO FEEL THEY ARE VERY SUCCESSFUL IN MEASURING SUPPLY CHAIN CARBON FOOTPRINT



PUTTING 'PRODUCT LEVEL' GHG DATA AT THE CORE OF BUSINESS DECISION MAKING

GREENHOUSE GAS (GHG) DATA REMAINS ONE OF THE MOST IMPORTANT METRICS TO TRACK, AND IT SHOULD BE AT THE HEART OF BUSINESS DECISION-MAKING. BY PRIORITIZING PRODUCT-LEVEL GHG DATA, RETAILERS CAN MITIGATE RISK, ADDRESS ENVIRONMENTAL CONCERNS, CREATE A COMPETITIVE ADVANTAGE, AND IMPROVE CREDIT COST AND AVAILABILITY. OUR RESEARCH SHOWS A NOTABLE GAP IN LONG-TERM SHAREHOLDER RETURN AND EBITDA GROWTH BETWEEN THE TOP AND BOTTOM PERFORMERS ON ESG GOALS.

 Risk Mitigation	<ul style="list-style-type: none"> • Scope 3 likely mandatory in UK by 2025 • 80% + of Retail emissions
 Environment Concerns	<ul style="list-style-type: none"> • 63% of consumers more concerned • 64% millennial talent say no to weak CSR
 Competitive Advantage	<ul style="list-style-type: none"> • First moves readying to reduce • Targets include scope3
 Credit Cost & Availability	<ul style="list-style-type: none"> • \$25 trillion of debt ESG-orientated • 86% have climate at centre of policy

As noted, Scope 3 emissions make up the major share of an organization's total footprint. Due to lack of transparency across value chains, these are notoriously hard for retailers to tackle across their systems.

To address the challenge, there is a necessity to move beyond approximate carbon modelling for category-level estimations. Undertaking rigorous, product footprinting can accelerate decarbonization by embedding environmental considerations deep within business decision-making.

RISK MITIGATION

The policies that will ultimately incentivise all value chain actors to achieve Net Zero are not yet formalised. Those that are serious about the economics of the Net Zero transition to their own bottom line would do well to understand the risk implications of this complex regulatory environment, both now and in the future.

Carbon taxes, regulations, and reporting requirements are all expected to become more stringent in the coming years. The Climate Change Act, as amended in 2019, commits the UK to "net zero" emissions by 2050. While Scope 3 emissions currently fall outside the scope of majority reporting in the UK for large businesses, the UK is expected to become the first G20 country to make these mandatory by 2025 .

Armed with actionable insight based on granular supply chain data, producers and retailers can make informed product portfolio choices, target NetZero investment and in the future consider product footprint labeling to drive consumer loyalty and choice.

Rigorous product-level footprinting allows retailers to:

- Measure upstream environmental impacts for targeted interventions
- Engage suppliers, set targets and track progress over time
- Inform business decision making, mitigate risks and drive competitive advantage
- Accelerate Net Zero progress

Evolving regulation therefore, presents regulatory, reputational, operational and commercial risk for Retailers and their suppliers as they transition to a NetZero economy.

Beyond the emerging regulatory landscape, there is a stark need for robust supply chain data to manage the reputational and financial risks posed by:

- Meeting Science Based Targets (SBTs) & other Corporate environmental commitments
- Increasing cost of production including raw materials
- Demands from Institutional investors managing ESG aligned funds
- Task Force on Climate-Related Financial Disclosures (TCFD) requirements



ENVIRONMENTAL CONCERNS

As consumers and employees raise awareness and concerns about the environment, retailers that lag may risk scrutiny and negative perception.

- Sixty-three percent of consumers cite an increased level of environmental concern over the past two years , and
- 64% of millennial talent will not take a job if their employer does not have a strong CSR policy.

Whilst the landscape for consumer product labelling is evolving, Mondra and AlixPartners are collaborating with leading initiatives in the UK and Europe to ensure 'label-readiness' and consulting the ASA to ensure environmental claims are robust and meet known standards. With so many consumers making decisions based on product sustainability, LCA-driven footprinting and labelling has the potential to drive consumer brand loyalty and top line revenue growth over time.

“ As consumers and employees raise awareness and concerns about the environment, retailers that lag may risk scrutiny and negative perception.



COMPETITIVE ADVANTAGE

In the race to meet regulations and public perception, retailers can attain a competitive advantage by taking action on climate change. Conversely, retailers that do not advance ESG initiatives will face a disadvantage. As many now build agile operations to address emissions, they acknowledge that Scope 3 must be included to have a meaningful target.

Solutions such as AlixPartners' Should Carbon™ methodology and the Mondra platform can support an organization to achieve competitive advantage in the race to Net Zero, by providing insight to target emissions in the supply chain and providing the means to engage suppliers to validate their performance and 'own' the job of improving it. This 'cascade model' distributes the cost of climate action through the chain. In addition, with granular, source-to-shelf insights, producers can prioritise highest return initiatives and ensure that the cost of the Net Zero transition is optimised.

CREDIT COST AND AVAILABILITY

Estimates by Bloomberg suggest that \$2.5 trillion of debt advertised as green or ESG-oriented, including green, social, and sustainability-linked bonds and loans, could be issued in 2022.

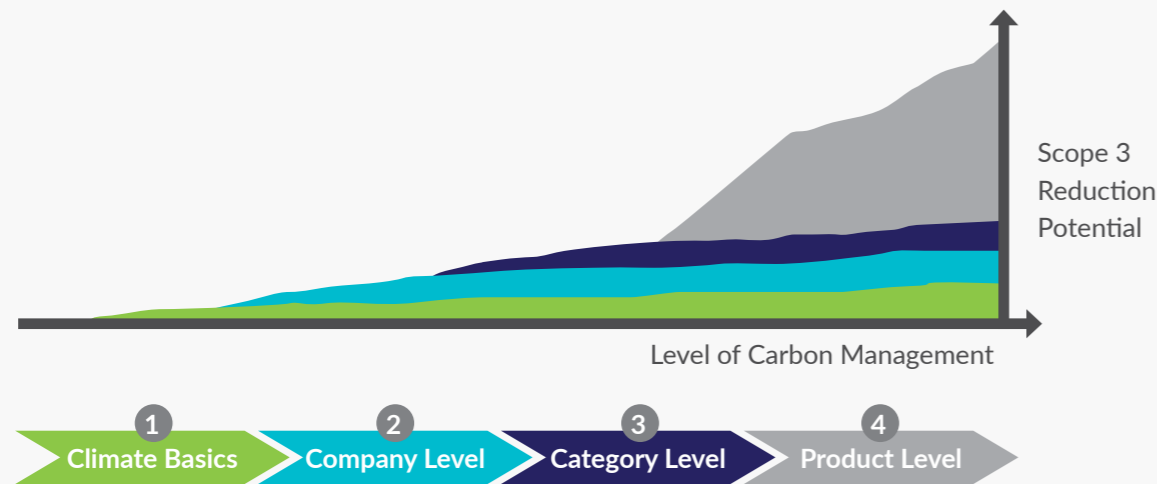
ESG assets are set to balloon from \$35 trillion to \$50 trillion by 2025. The 20 largest banks have united, committing to deploy approximately \$10 trillion in sustainable finance and towards the climate transition by 2030. In the coming years, loans and investments will increasingly be tied to ESG. Additionally, 86% of investors say climate change will be at the centre of their investment policy, or a significant factor, in the next two years.

Rigorous product-footprinting, leading to targeted Scope 3 management, enables evidence-based access to these ESG-aligned funds by meeting the ever-tightening rules around data quality to support environmental claims and corporate reporting. Granular, LCA driven product footprints enable detailed measurement and insights to inform strategic decisions that improve overall ESG posture and investor attractiveness.

THE PRODUCT FOOTPRINTING APPROACH

RETAILERS NEED TO DETERMINE WHERE THEY CURRENTLY ARE ON THE CARBON MANAGEMENT MATURITY CURVE AND SET SHORT-TERM & LONG-TERM AMBITIONS ON WHERE THEY WANT TO BE.

CARBON MANAGEMENT MATURITY CURVE



Despite the imperative to act, many retailers struggle to create and implement a product-driven Scope 3 management strategy. They must consider what standards and methods to use and how they can futureproof against forthcoming regulations. To gather and incentivise support for decarbonization efforts, a product-driven strategy must also enhance the organization, the suppliers, and the industry. To execute this strategy, retailers need to identify the required data, ensure reliability, then track progress against environmental and commercial goals.

PRODUCT ACCOUNTING METHODS

Rigorous product-level accounting can enable retailers to unlock greater levers for business value creation, achieve targets, and support systems change. Product footprinting also allows retailers to better position themselves for the transition in the carbon economy, make the required changes, and distribute the cost of those changes across the entire value chain.

There are several different product accounting methods that can unlock different decarbonization levers. For example, a product proxy method targets category-level and intra-category level reductions. Meanwhile, an aggressive and intensive product full supply chain model provides the means to engage the full supply chain to drive collaborative reduction.

DIFFERENT METHODS UNLOCK DIFFERENT DECARBONIZATION LEVERS. CHOOSE YOUR FIRST STEP

	Retailers reduction strategies				Supply chain engagement and reduction strategies				
	SCIENCE BASED TARGETS Commitments	Category level reductions	intra - Category reductions	Suppliers engage + energy reductions	Suppliers composition reductions	Suppliers sourcing reductions	Engage full value chain. Collaborative reduction		
1 Category Proxy	●	●						GREENHOUSE GAS PROTOCOL	
2 Product Proxy (sale or volume)	●	●	●	○				TCFD	
3 Product Model + Ingredients proxy	●	●	●	●	●	○		bsi. wbcscd	
4 Product full supply-chain model	●	●	●	●	●	●	●	ISO ICB	

Retailers can start by establishing KPIs across various functions to measure their level of progress. There are various aspects of a business that contribute to the overall decarbonization readiness level. High-maturity organizations would have an actively engaged C-suite with ESG embedded in business decision-making. They would also have clear targets with action plans, granular product data, integrated sustainability KPIs within each business function, and highly engaged suppliers.



“ The AlixPartners Should Carbon™ methodology works well with a data-driven insights platform like Mondra.

METHODOLOGIES AND PLATFORMS

The difficult road to decarbonization requires detailed operational thinking and a commitment to new ways of working. Fortunately, there are now solutions and methodologies that can help retailers activate these new accounting methods.

For example, AlixPartners Should Carbon™ methodology addresses the challenges of measuring data and creating a plan, making it easier to measure, map, and reduce supplier carbon. This methodology translates carbon measurement into actionable plans at each stage of the category planning, procurement, and supplier management process. It accelerates cross-business decision-making to mobilize, speed up, and scale carbon reduction initiatives with the organization's supplier base.

The AlixPartners Should Carbon™ methodology works well with a data-driven insights platform like Mondra. It offers retailers insight into their supply chain at the product level, thus identifying opportunities and weaknesses in carbon reduction initiatives. Mondra's technology enables retailers to engage their suppliers and incentivize them to improve product performance on an interconnected platform. It also helps companies communicate the performance of their brand products with transparent and credible scoring systems.



With a practical methodology and data insights platform, retailers can create transparency and collaboratively build a carbon-reduction roadmap. This embeds long-term capability into the process through work in three broad areas:

IT USES METRICS TO DEVELOP BASELINES, SUPPORT DECISION-MAKING, AND TRACK IMPROVEMENT

Metrics create a baseline that supports decision-making and tracks improvement. This starts by identifying standards and then translating them into business metrics and KPIs that can be monitored. From there, the retailer can establish granular goals and then map emissions down to a level of detail that will help teams and partners make a difference. Retailers can also focus an additional level of mapping detail on suppliers that are high emitters with a higher level of influence. This enables them to model the impact and feasibility of carbon improvement options, such as using different ingredients or changing product designs / packaging.

IT EDUCATES AND ENGAGES THE TEAM TO BUILD LONG-TERM CAPABILITY

Data management, analytics, and performance reporting capabilities can enable retailers to recognize and tailor plans to a supplier's level of maturity. They can establish ongoing supplier carbon metrics management tools and embed carbon management into category strategy, supplier selection, negotiation and contracting methods, and training. By embedding carbon management into supplier communications and performance, they can develop incentive frameworks. They can also provide access to subject matter experts for specialist solutions such as carbon economic product modelling, regenerative agriculture, and electrification.

IT ESTABLISHES A ROADMAP AND CREATES SYSTEMS OF ACCOUNTABILITY

Retailers can leverage a roadmap and a system of accountability to drive departmental collaboration when evaluating and deciding how carbon reduction levers can be implemented into the business. Teams should be accountable to each other and be prepared to deal with potential challenges around compliance, supply-demand issues, and supplier failure. Retailers can maintain accountability by establishing regular reviews and a robust governance structure.

TAKING ACTION

AS ENVIRONMENTAL, REGULATORY, AND PUBLIC PRESSURE MOUNTS FOR RETAILERS TO GAIN MORE CONTROL OF THEIR CARBON EMISSIONS, NOW IS THE TIME TO ACT. TO REMAIN COMPETITIVE AND MEET THEIR GOALS, RETAILERS NEED AN INTEGRATED APPROACH THAT SPANS THE WHOLE VALUE CHAIN, WITH EVERYONE DOING THEIR PART TO ADDRESS THEIR SLICE OF THE CARBON PIE.

“ Retailers should look beyond their internal boundaries, from their suppliers and manufacturers to their customers and end users, to encourage synchronization across the value chain.



Evidencing the commercial imperative/benefits of placing (product level) GHG data at the core of business decision-making, with guidance on how retailers can achieve this in practice

We recommend retailers take three key actions to achieve their climate action goals:

REACH BEYOND



Retailers should look beyond their internal boundaries, from their suppliers and manufacturers to their customers and end users, to encourage synchronization across the value chain. They should strive to understand the maturity of each segment and then approach them accordingly with new incentives to drive behavioral changes. Consider a test-and-learn approach that pushes best practices across your trading partners. Then, experiment and adopt what works best to speed innovation and outcomes.

For example, one global lifestyle brand with a commitment to reach net zero by 2030 turned to its priority suppliers to kick off an incentive program to foster collaboration.

GET PRACTICAL



Break down long-term objectives into smaller milestones of what needs to be done over the next six, twelve, and 24 months, then hold management teams accountable. Integrate sustainability efforts into operational roles and assign KPIs to individuals and functions. Finally, enable operating teams to deliver by embedding emissions data and analytics into daily decision-making.

SPEED UP AND SCALE



Don't complicate or overstudy the problem. Waiting for standardization or expecting anyone to have all the answers leads to the risk of delay. Leverage your sustainability team to develop policy and create innovative solutions while leaving operational teams to take accountability for outcomes. Retailers must adopt an agile, fail-fast mentality on novel approaches to determine what to scale and what to abandon quickly.

Evidencing the commercial imperative/benefits of placing (product level) GHG data at the core of business decision-making, with guidance on how retailers can achieve this in practice




BRC CLIMATE ACTION ROADMAP

BRC's Better Retail Better 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.

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ABOUT ALIXPARTNERS

AlixPartners is a results-driven global consulting firm that specializes in helping businesses respond quickly and decisively to their most critical challenges—from urgent performance improvement to complex restructuring, from risk mitigation to accelerated transformation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver. We partner with you to make the right decisions and take the right actions. And we are right by your side.


When it really matters.

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ABOUT MONDRA

Mondra is an environmental product footprinting platform decarbonising the world's food supply chains. Using automation and predictive technologies, we provide the platform and tools for food producers to know the full lifecycle impacts of their products, improve performance and communicate it to the market - enabling them to de-risk their business and compete in the NetZero economy.

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