BRC

SUMMARY REPORT

RETAIL CEO EXCHANGE FORUM

FUTURE-FIT, NET ZERO RETAILER

3rd October 2024

FORUM FOR THE FUTURE

CLIMATE ACTION WEEK

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EXECUTIVE SUMMARY

The BRC Retail CEO Exchange Forum is a new annual series addressing the BRC's industry priorities: Sustainability, People and Growth. Entitled 'Future-Fit, Net Zero Retailer', the first Sustainability-themed Forum explored navigating the key shifts in retail business' operating context for the decade ahead as the critical time period for delivering Net Zero and assuring business continuity.

Convened during the BRC's annual Climate Action Week, this CEO Exchange Forum was facilitated by Forum For The Future, who have partnered with many retail businesses (large and small) to support leaders in embracing a longer-term view that's more open to transformation and discontinuity. The goal was to provide thought-provoking insight with valuable and actionable takeaways for every BRC member participant no matter where they are on their net zero or wider sustainability journey.

This report synthesises the workshop discussions, participants contributions and group feedback into themes as well as next steps for the BRC and its members to use to drive action.

Five key messages dominated from BRC member comments throughout the workshops

1. **Desire for industry collaboration on net zero,** including areas like supply chain (procurement), integrating environmental and social considerations, regenerative agriculture, packaging and consumer behaviour (e.g. educational campaigns or united pre-competitive roll-outs for new retailer solutions to consumers).

2. **Proactive government involvement,** using industry groups like the BRC to communicate clear priorities for policymakers to support higher environmental and social standards. This should cover communication elements like clarity from government on what the industry priorities should be for actions as well as advocating for more regulation (beyond just reporting) to allow the industry to move forwards on fairer terms, with financial incentives for change and penalties for slow movers. There is also a need for government to act more strongly on international collaboration to ensure consistency and fairer competition, raising the bar across international retailers.

> *"Accelerating the net-zero transition has never been more important - the retail sector can play a central role in this. We were delighted to facilitate this conversation between UK retail leaders and support them to navigate the volatile operating context ahead."*

James Payne, Global Head, Purpose of Business, Forum for the Future

> *"One-third of every UK citizen's carbon footprint comes from the goods they buy, so as retail decarbonises, it shifts the dial for the whole country. Business growth and sustainability action can no longer be planned for separately, Solving the biggest net zero challenges for the retail sector relies on us stepping up to work together in driving change."*

Helen Dickinson, CEO, British Retail Consortium

3. **Prioritisation and immediate action** on key areas. Whilst it takes time to collect high quality data across supply chains and other areas, it is often known what parts of the business are emission 'hotspots' where action is needed. BRC members strongly agreed on the need for acting immediately on those areas and encouraged an 'experimental' approach where solutions are tested and iteratively improved in a safe-to-fail setting rather than waiting for non-commercial tests, research or data analysis to inform on which solutions to back.

4. **Embed sustainability into decision-making** at all levels. Members reported on the many successes they had seen from embedding sustainability into the 'day job'. This included KPIs for the business and senior leaders, but also more widely across the business, with particular examples of successes coming from site-level management buy in and employee engagement (e.g. assigning sustainability champions in teams) where employees often had the best view of quick wins that could be actioned.

5. **Taking responsibility & action on consumer choices.** To meet the industry's climate ambitions, it is critical that retailers move away from reacting to consumer demand and towards a model of proactively engaging consumers to positively influence behaviour, through pricing strategies, educational campaigns and marketing positive consumer choices.

‘FUTURE-FIT, NET ZERO RETAILER’ CEO EXCHANGE FORUM

Facilitation by Forum for the Future

Forum for the Future began by outlining some of the largest global sustainability issues and how they impact businesses through physical and transitional risks, supply chain security and societal implications. Underlying this, was a key message: businesses need to think and act differently and in doing so take on the rewards of immediate investment, including staying ahead of regulations/ compliance, operational efficiency, employee retention, supply chain resilience and tapping into new and growing revenue streams.

A series of workshops then covered a few key sustainability & business topics that focused on long-term visions and how to get to those from the current operating environment of retailers.

- Climate, nature & circularity
- Enabling business operating context
- Decent work, human rights and good governance

Forum summary by Carbon Trust

As recognized experts in Net Zero, the BRC invited Carbon Trust to join the CEO Forum to perform the role of workshop listeners and produce this summary report which synthesizes and summarises the key discussion point and themes of the workshop.

Keynote Speech by Sir Dave Lewis

Following the CEO Exchange Forum, Sir Dave Lewis, former CEO Tesco and current Chair of WWF and Haleon, delivered the BRC Climate Action Week Keynote speech to an audience of Retail CEOs and senior leaders. The address, entitled “A Braver Conversation” provided provocative direction for moving forward collectively - and at pace - in the transition to a Net Zero Retail sector. Sir Dave’s 5 key themes on leadership, commitment, responsibility, bravery and customer service tied in closely to the themes of the preceeding CEO Forum. The themes have been referenced in this report.

Feedback from CEO Exchange Forum

Participants were surveyed post-event on their views on this first CEO Forum.

They shared their views on the value of the Forum and content that was discussed:

- “Opportunity to frankly share opinion with peers and get perspective from industry experts meeting new people.”
- “The spirit of the event was excellent - a valuable 'afternoon out' away from desks and meeting people.”
- “The chance to speak to other leaders on what they are doing. It seemed clear to me that the collaboration isn't strong enough.”
- “It was great to hear that others are experiencing similar issues and we are not alone.”
- “Felt like a good and safe/collaborative space with Helen creating the right tone/environment.”
- “Opportunity to gain more information and speak to people from the sector on similar issues.”
- “The breakout sessions identifying challenges and opportunities - lots of common themes across businesses but also some thought provoking discussion.”

In terms of next steps for the Forum, the **CEO community were keen for the BRC to provide key take outs and actions for follow-up as well as follow-up events to keep up momentum and discuss progress.**

As an outcome of this workshop, **the final section on ‘Key actions and next steps’ outlines where both members and the BRC should focus,** to make practical individual progress, initiate industry collaboration and influence a supporting regulatory environment for decarbonisation.

CORPORATE ACTION

Overview

Whilst the forum content covered a range of topics across society, including government actions, consumer behaviours and supply chains, the focus was largely on how retailers can act both individually and collectively to meet industry aims on net zero without modelling carbon tunnel-vision. It was generally agreed that an emphasis should be on **acting immediately as individual organisations wherever possible and proactively setting up collaborations** to tackle joint issues, particularly looking upstream in the supply chain and on consumer messaging.

The community felt that prioritising actions and investments was challenging when there appears to be a huge amount of actions that need to be taken, some requiring larger business model adjustments. **Businesses must decide on a couple of key priorities where action can immediately be taken,** with the term "start somewhere" mentioned a number of times across the room.

A number of members advised on the **importance of finding a trusted partner,** or a group of trusted partners that specialise across a few different areas like carbon reporting & targets, packaging, supplier engagement etc. Amongst other benefits, this allows companies to take swift and informed action on some key emissions hotspots.

KEY THEME 1: LEADERSHIP WITH STANDARDS

> ***"Retailers can set standards, invite others to raise standards."***

Sir Dave Lewis, Keynote Speech
"A Braver Conversation", BRC Climate Action Week 2024

Embedding emissions into decision making processes at all levels is crucial to accelerating progress on net zero. As well as holding companies, leadership and employees accountable, it is seen as an important way to identify ways to reduce carbon emissions, often in the form of efficiency improvements that can also bring financial and competitive advantages. As well as having clearer KPIs for emissions-related topics across leadership/management, several members shared examples where site-level decision-making, coupled with employee sustainability champions, helped them to identify a range of savings that were not obvious at a leadership level and often easy to implement.

Corporate action on net zero was discussed at a variety of levels, from shareholders to employees, which all have a role to play to identify, incentivise and implement change.

Shareholders, owners & executives

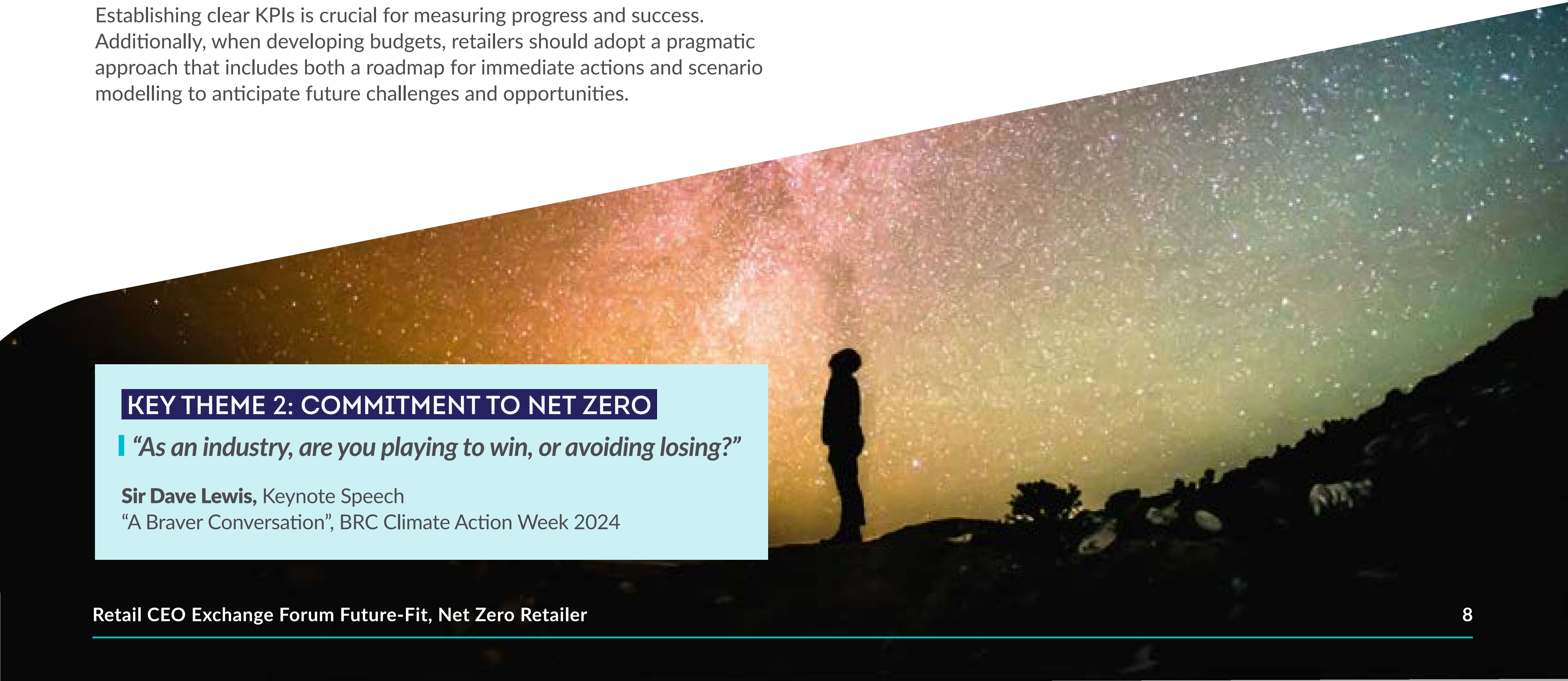
Communication and corporate pressure: It is crucial to communicate to stakeholders, including shareholders, the importance of balancing short-term and long-term environmental priorities. This involves clearly articulating how immediate actions align with long-term science-based targets. Additionally, bringing wider representation, particularly younger people, into board-level decisions can provide fresh perspectives and drive innovative solutions. However, corporate pressure to achieve 'growth at all costs' often hinders this progress. Many companies are not willing to take risks on new business models or large investments, fearing potential losses. Governance issues, such as shareholders blocking necessary actions, further complicate efforts to implement sustainable practices. Addressing these challenges requires a concerted effort to align corporate governance with long-term environmental and social objectives.

Financial decision making

Investment and forward-planning: Supporting and investing in technology and innovation, including across supply chains, is essential for driving decarbonisation efforts. Adopting recycling and circular economy principles as the norm can significantly reduce waste and resource consumption. Retailers should proactively test solutions rather than waiting for industry-wide adoption, taking the lead in sustainability efforts. They also need to play an active role in changing consumer behaviours, such as implementing pricing strategies that charge more for packaging to encourage less waste. However, making investment decisions or building business cases for sustainability initiatives can be challenging. Often, decision-making is reactive rather than proactive, which hampers long-term planning. Establishing clear KPIs is crucial for measuring progress and success. Additionally, when developing budgets, retailers should adopt a pragmatic approach that includes both a roadmap for immediate actions and scenario modelling to anticipate future challenges and opportunities.

Operations

Being proactive: Retailers should shift from a compliance mindset to proactively anticipating and exceeding regulatory requirements and actions. Empowering employees on ESG issues is crucial, as it not only attracts new talent but also boosts employee motivation and incentivises efficiency gains. Additionally, retailers should concentrate on immediate, controllable actions rather than getting bogged down by global complexities. This focused approach allows for tangible progress and more effective management of sustainability initiatives.



KEY THEME 2: COMMITMENT TO NET ZERO

> *"As an industry, are you playing to win, or avoiding losing?"*

Sir Dave Lewis, Keynote Speech
"A Braver Conversation", BRC Climate Action Week 2024

GOVERNMENT AND LEADERSHIP

Overview

The retailing operating environment is influenced by government direction & policy. Government action is seen as critical on making sure that industry (retailers and supply chains) moves forward as quickly and fairly as possible. Industry needs the government to take action on national issues like grid decarbonisation, as well as international issues to make sure that imbalances in climate progress globally does not competitively affect UK retailers, including supply chain compliance issues.

Wide support was voiced for retailers to collaborate through forums like the BRC in order to engage collectively with the government on shaping and accelerating relevant decarbonisation and sustainability regulation. In particular, members were keen to ensure that retail has a voice in shaping regulations that are likely to emerge, so that these are fit-for-purpose amongst retailers and accounts for the complexity of retail supply chains and the producer-consumer boundary.

Another key area that requires collaboration with government is on consumer behaviour. Whilst this CEO forum showed that consumer behaviour is an area where retailers need to take more responsibility, it will still require national efforts to address the largest consumer behaviour changes. This will require progress through financial (e.g. taxes/duties/subsidies), regulatory (bans, specifications, compliance) or educational (advertising campaigns, media or formal education) levers.

Members voiced the need to take immediate action where possible but to simultaneously collaborate across the industry and with government to enact national changes. Examples included packaging from a circular economy perspective and regenerative agriculture, where procurement teams and operations can act as individuals whilst working collaboratively with industry & government to reinforce these efforts.

KEY THEME 3: SHOWING RESPONSIBILITY

"I am dismayed by the way politicians have stepped back."

Sir Dave Lewis, Keynote Speech
"A Braver Conversation", BRC Climate Action Week 2024

COMMUNICATION

Guidance and Priorities: During the various workshops, CEOs highlighted a lack of green legislative pressure that positively aligns with a retailers' need for growth. The short-term nature of politics, along with recent geopolitical, market, and supply chain instabilities, was noted as limiting confidence in long-term green investments. Instead, government structures, whether national or regional, should collaborate with retailers to facilitate the Net Zero transition through legislation. This approach should be multifaceted, encouraging stakeholder engagement across different business units, rather than adopting a simplistic top-down style. For example, when discussing "what it would take for organisations to retrofit?", it was noted that landlords are not engaged. Therefore, any legislation within the Net Zero space needs to be broadened to address the complexities of wider corporate relationships.

Cooperation and Education: The absence of international cooperation is creating competitive disadvantages across countries, worsened by the lack of legislative data sharing and sustainable leadership among retailers. This problem is further exaggerated by a general lack of awareness about the green agenda. To tackle these challenges, it is essential for industry bodies and governmental departments to increase their engagement, ensuring that retailers are well-informed and proactive in adopting sustainable practices.

KEY THEME 4: BRAVERY IN ACTION

> *"Do you care about someone or something so much that you're ready to have a braver conversation?"*

Sir Dave Lewis, Keynote Speech
"A Braver Conversation", BRC Climate Action Week 2024

Regulation

Failure of market forces: There is an overreliance on the free-market forces to address issues around economic growth, which is inherently problematic. For instance, balancing the need for sustainable investment and corporate growth with the realities of the cost-of-living crisis is challenging. Additionally, regulators often lose sight of desired outcomes, resulting in watered-down legislation. This situation underscores the greater need for industry action, as highlighted by the BRC and other industry bodies/ partnerships. The industry must clearly articulate its need; otherwise, political action will remain stagnant.

Incentivising green growth: There is a need for a clear carbon tax and financial incentives, such as subsidies and tax breaks on green products, to support sustainable growth amongst retailers. However, the current tax system is viewed as broken, with no apparent consensus for positive change from political leadership. To address these issues, it is crucial to intervene in financial markets to ensure a stronger focus on ESG and KPIs in investments and lending.

Action

National Decarbonisation: The British government should recognise that international collaboration is essential for promoting fair competition and raising standards. This involves ensuring that other countries are also advancing their decarbonisation efforts and reporting requirements. Alternatively, the government should act at the trade boundary to prevent, for example, a US retailer from undercutting local retailers due to lower costs associated with less stringent supply chain due diligence and decarbonisation efforts. Additionally, since all major retailers rely on grid decarbonisation, there is an expectation that governmental targets will be met and not compromised by political instability or shortsightedness.

MARKET & SUPPLY CHAIN

Overview

Retail sits at the interface between supply chains and consumers, and the role retailers play in representing both of these areas was discussed from different angles across the workshops.

The need to act on supply chain decarbonisation is clear. For most retailers this is a clear emissions hotspot whilst simultaneously being an area of climate risk. **Supply chain security is critical** for retailer operations, although ironically one of the barriers to decarbonisation quoted most often by members were short-term supply chain issues consistently taking business priority, for example recent global shocks through pandemics and conflict, as well as reputational issues around human rights issues like modern slavery and climate effects of crop failures.

Collaboration across the industry to standardise and collect data is not only an efficient way to accelerate the pace of supply chain engagement, but it will also help to quickly and uniformly raise expectations from suppliers, potentially at an international level. Furthermore, collaboration on data & standards **can unlock direct implementation of reductions,** with regenerative agriculture mentioned as a specific example for an industry shift that requires a relatively small accounting hurdle to capitalise on which can be collaboratively tackled.

Supply chain work ultimately requires retailers to **take more responsibility over compliance for their suppliers, even if this comes at a cost to consumers.** Consumer education was mentioned both in terms of changing consumer behaviours but also in order to level the playing field, with consumers learning to place value not only on the quality of products but the quality (i.e. environmental and social strength) of the supply chains that lie behind them. This can produce a positive feedback loop where consumers understand that they are paying for more than just the product itself and therefore the extra cost burden on retailers to understand, audit and improve those supply chains can then ultimately be carried by consumers.

Data sharing

Data standardisation: There is a need for a consistent approach to measuring and sharing emissions data. This involves standardising data transparency and developing a platform for collaboration to ensure that data is effectively utilised, transformed, and actioned. By adopting a uniformed approach, retailers can better track their emissions and share this information in a meaningful way. This collaborative effort will help in transforming raw data into actionable insights, driving more informed decisions and impactful environmental actions

Industry collaboration: There are inconsistent market approaches to measuring carbon emissions or removals across various supply chains and sectors. This lack of uniformity makes it challenging to accurately assess and compare environmental impacts. To address this, industry collaboration is essential. By taking lessons learned from the Covid-19 pandemic, retailers can work together on innovations and ESG initiatives. Unlike the immediate and widespread impact of a 'big shock' like Covid-19, cumulative issues related to carbon emissions build up over time. This gradual accumulation requires proactive action and collaboration to prevent long-term environmental damage.

KEY THEME 5: CUSTOMER SERVICE ON CLIMATE ACTION

> *"If the customer knew what we know, what would they want us to do on their behalf?"*

Sir Dave Lewis, Keynote Speech
"A Braver Conversation", BRC Climate Action Week 2024

Supply chain resilience

Barriers and enablers: Ensuring a secure supply chain for sustainable food and fabric products is crucial, and this can be achieved by promoting local supply chains and seasonal purchasing. However, the lack of collaboration within supply chains, driven by a 'you vs. them' mentality, hinders progress. Volatile cost pressures from pandemics, conflicts, and shortages often divert focus from decarbonisation efforts. Additionally, the absence of policy incentives or green subsidies can make things like virgin raw materials cheaper than recycled ones, stifling environmental investment and innovation. Greater cooperation and supportive policies are essential to overcome these barriers and drive sustainable practices.

Consumers

Education and habits: Consumer education is essential for fostering a deeper understanding of the 'real' cost of products, encouraging a shift in the perception of linear purchasing habits, access to out-of-season produce and the "right to consume". Many consumers are not making green choices because they feel their individual environmental impact is insignificant in the face of climate change or are unwilling to bear the costs of the Net Zero transition. To address this, it is important to make sustainable lifestyles more aspirational and desirable. Achieving net zero should be pursued through reasonable green costs rather than through exclusivist measures or levies, ensuring that sustainability is accessible to all.

KEY ACTIONS & NEXT STEPS

For BRC

With members

1. **Retailer collaboration:** Proactively set up retailer collaborations to tackle joint issues, particularly for supply chain engagement and on consumer messaging.

2. **Industry/Government collaboration:** Orchestrate collaboration across the industry simultaneously with government to enact national changes - taking lessons learned from the Covid-19 pandemic - for retailers to work together on innovations and ESG initiatives. Examples included packaging from a circular economy perspective and regenerative agriculture.

3. **Data & standards:** Drive action to ensure there is a consistent approach to measuring and sharing emissions data as well as catalysing collaboration on standards that can unlock direct implementation of reductions, e.g. regenerative agriculture.

With government

4. **Government accountability:** Hold government accountable for taking action on national issues like grid decarbonisation and fossil fuel HGV phaseout, as well as international issues to make sure that imbalances in climate progress globally does not negatively affect UK retailers, including supply chain compliance issues.

5. **Decarbonisation regulation:** Communicate with the government on shaping and accelerating regulation. Clearly articulate the industry need for regulation to compensate for failure of market forces; otherwise, political action is likely to be insufficient.

6. **ESG finance:** Call on government to intervene in financial markets to ensure a stronger focus on ESG and KPIs in investments and lending to incentivise green growth.

7. **Policy incentives:** Lobby for an effective mix of financial penalties (e.g. a carbon tax) and financial incentives, such as subsidies and tax breaks on green products, to support sustainable growth amongst retailers. Push for policy incentives or green subsidies to accelerate environmental investment and innovation e.g. to prevent virgin raw materials being cheaper than recycled ones.

8. **Corporate legislation:** Encorage government at all levels, whether national or regional, to collaborate with retailers to facilitate the Net Zero transition through legislation. Any legislation within the Net Zero space needs to be broadened to address the complexities of wider corporate relationships. (e.g. landlords in property retrofits).

9. **International competitiveness:** Lobby government to recognise that international collaboration is essential for promoting fair competition. This involves ensuring that other countries are also advancing their decarbonisation efforts and reporting requirements. Press for increased engagement across international industry bodies and governmental departments to tackle competitive disadvantages across countries, lack of legislative data sharing and sustainable leadership among retailers.

With multi-stakeholder initiatives

10. **Consumer education:** Co-ordinate national efforts to address the consumer behaviour changes needed. Convene focus on consumers learning to place value not only on the quality of products but the quality (i.e. environmental and social strength of the supply chains that lie behind them).

KEY ACTIONS & NEXT STEPS

For Members

1. **Priorities:** Businesses must decide on a couple of key priorities where action can immediately be taken, and "start somewhere". Concentrate on immediate, controllable actions rather than getting bogged down by global complexities.

2. **Alignment:** Communicate to stakeholders, including shareholders, the importance of balancing short-term and long-term environmental and social priorities.

3. **Planning:** When developing plans and budgets, retailers should adopt a pragmatic approach that includes both a roadmap for immediate actions and scenario modelling to anticipate future challenges and opportunities.

4. **Governance:** Align corporate governance with long-term environmental and social objectives.

5. **ESG Leadership:** Shift from a compliance mindset to proactively anticipating and exceeding regulatory requirements and actions.

6. **Emission-related KPIs:** Embedding emissions into decision making processes at all levels with clearer KPIs for emissions-related topics across leadership/management, employee engagement at site-level.

7. **Shared resilience:** Foster greater co-operation within and across supply chains to reverse the lack of collaboration with suppliers, driven by a 'you vs. them' mentality.

8. **Partner:** Engage trusted partner(s) that specialise across a few different areas like carbon reporting & targets, packaging, supplier engagement etc.

9. **Behaviour change:** Eductate consumers to make sustainable lifestyles more aspirational desirable and accessible.

ABOUT

British Retail Consortium

The BRC is the lead trade association for UK retail. Our purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future. Retail is the 'everywhere economy', a vital part of the socio-economic fabric of the UK. The industry makes up 5% of the UK GDP and is the largest private sector employer, providing 3 million direct jobs and 2.7 million more in the supply chain. Retail has a presence in every village, town and city across the country.

Over 200 major retailers are members of the BRC, with thousands of smaller, independents represented by BRC's trade association members. Together, these businesses operate across all retail channels and categories and deliver over £350 billion of retail sales per year. We build the reputation of the retail industry, work with our members to drive change, develop exceptional retail leaders, and use our expertise to influence government policy so retail businesses thrive and consumers benefit. Our work helps retailers trade legally, safely, ethically, profitably and sustainably. Find out more at *brc.org.uk*

CLIMATE ACTION WEEK

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Forum for The Future

Forum for the Future is a leading international sustainability non-profit organisation with headquarters in the UK and offices in the US, India and Singapore.

Since we were founded in 1996, we've been working in partnership with business, governments and civil society to accelerate the shift towards a just and regenerative future in which both people and the planet thrive.

Find out more about our work at *forumforthefuture.org* or via Forum's page on *LinkedIn*

Carbon Trust

Carbon Trust is a consultancy approve / provide company the move to a decarbonised future. Climate pioneers for more than 20 years, we partner with leading businesses, governments and financial institutions to accelerate their route to Net Zero. We have a global team of more than 400 environmental sustainability experts, including engineers, financiers and policy specialists, working with diverse industries and business sectors around the world. We provide solutions to the climate crisis. We support organisations globally as they accelerate towards Net Zero.

Find out more about us at *carbontrust.org*.