



RETAIL INDUSTRY  
LEADERS ASSOCIATION

# UN CLIMATE CHANGE CONFERENCE UK 2020

## COP26

Takeaways and  
Resources for the  
Retail Industry

accenture

# Agenda

1. Summary & Key Takeaways
2. Furthering the role of Agriculture in emissions reduction
3. Accenture, UNGC CEO insights from CEO Study on Sustainability
4. New Net Zero Standard from SBTi
5. IFRS creation of the International Sustainability Standards Board (ISSB)
6. Climate Connected Capital
7. UPDATE: The Impact Index

# Summary & Key Takeaways

1. The COP26 summit aimed to keep alive the 2015 Paris Agreement's aspirational target to cap global warming at 1.5C and avoid its most disastrous impacts.
2. The Race to Zero is getting faster: To attempt to bridge the current gap, the draft COP26 accord asks countries to upgrade their 2030 emissions-cutting plans by the end of 2022 - a faster timeframe than the UN's current five-year review cycle.
3. The call is for companies to set science-based targets or cut their emissions by half by 2030 and achieve net zero emissions no later than 2050.
4. Regenerative Agriculture became an active part of multiple sessions, from raw material goals to extensions of circular models

# Summary & Key Takeaways

- Five of the UK's largest supermarket chains, including Tesco and Sainsbury's, have pledged to reduce carbon emissions, deforestation, and waste from food and packaging
- The supermarkets have also promised to set science-based targets for keeping global temperatures to 1.5C
- The UNFCCC Fashion Charter signatories made additional commitments including 100% renewables in their own operations, and a coal phase-out by 2030
- Textile Exchange presented a trade policy request to national governments to create tariff and import-export structures that incentivize companies to use environmentally preferred materials.
- Data, AI/ML is paving a path to decouple production from profits, largely by maximizing sell-through



# Regenerative Agriculture

# Regenerative Agriculture

Agriculture powers the global economy, from what we wear to what we eat. Powerful solutions to a more sustainable future **will begin on the farm.**



## What Is It?

Regenerative Agriculture describes farming and grazing practices that, among other benefits, reverse climate change by rebuilding soil organic matter and restoring degraded soil biodiversity — resulting in both carbon drawdown and improving the water cycle.



## Why Is It Important?

- It a major opportunity to sequester carbon, becoming a leading solution to climate change.
- It reduces yield loss — and can eventually increase yield.
- It increases raw material resilience.



## What Are The Principles?

There are five recognized principles of regenerative agriculture:

1. Keep the soil covered.
2. Minimize soil disturbance.
3. Maximize crop diversity.
4. Maintain living root in ground all year.
5. Integrate livestock.

# Fact Sheet

## Agriculture facts and figures across the Retail landscape



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### Feed

- 36% of the world's crops are used for animal feed
- Feed is a major component of both the cost and climate impact of animal production — accounting for almost half of emissions.
- Regenerative feedlots are taking shape in 2021, as QSRs look to meet growing demand for lower impact beef



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### Food

- 55% of the world's crops (by calorie) are actually eaten directly by people. Another 36 percent is used for animal feed. The remaining 9 percent goes toward biofuels and other industrial uses
- With 2.2 billion increase in global population growth anticipated by 2050, our planet will face a 70% increase in calorie demand, placing more stress on agricultural systems



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### CPG

- PepsiCo and Kellogg's, among others, have stated goals of 100% sustainable sourcing of agricultural inputs by 2020
- The beauty industry, projected to reach \$716 billion by 2025, is leaning heavily into sustainable ingredients, with 55% of consumers intent on clean purchases



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### Fashion

- Cotton is the most common natural fiber used to make clothing, accounting for about 33 percent of all fibers found in textiles
- 27 million tons of cotton is produced globally each year
- Cotton is the world's most valuable non-food agricultural product, however also has significant environmental and social impacts that are increasingly under scrutiny

# CLIMATE LEADERSHIP IN THE ELEVENTH HOUR

The 2021 United Nations Global Compact –  
Accenture CEO Study on Sustainability



United Nations  
Global Compact

 **accenture**

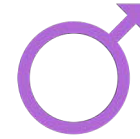


# ABOUT THE CEO STUDY ON SUSTAINABILITY

+ 1,230 CEOS PARTICIPATED

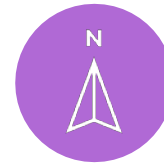
+ 120 IN DEPTH INTERVIEWS

ACROSS 113 COUNTRIES + 21  
INDUSTRIES



886  
MALE  
CEOs

143 WOMEN  
CEOs



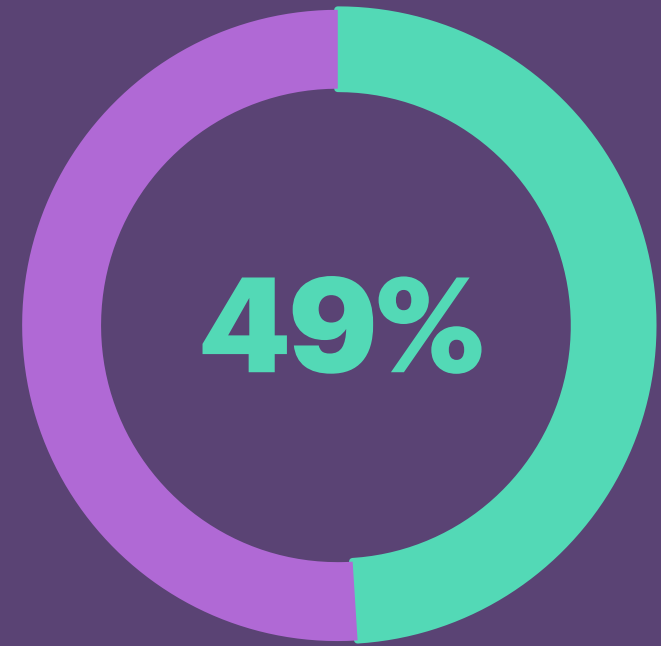
563 CEOS FROM THE  
GLOBAL NORTH REGION

559 CEOS FROM THE  
GLOBAL SOUTH REGION



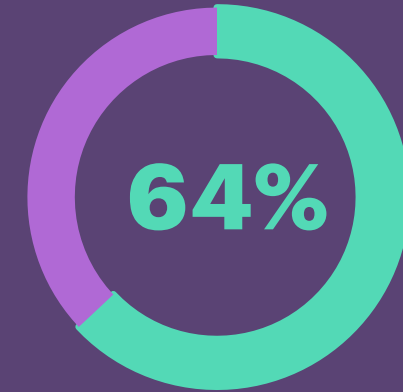
**CEOs REPORT THAT THEIR BUSINESSES  
ARE EXPERIENCING THE DAMAGING  
EFFECTS OF CLIMATE CHANGE AND ARE  
READY TO TAKE BOLD ACTION.**

**THEY ARE  
NAVIGATING  
INCREASED  
FREQUENCY OF  
NATURAL DISASTERS  
AROUND THE WORLD...**

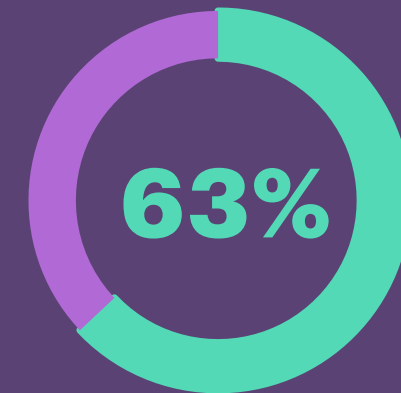


% of CEOs that report supply-chain interruptions due to extreme weather events are a top risk

**...WHICH IS CREATING  
AN URGENT NEED TO  
ADAPT AND BUILD  
RESILIENCE —  
PARTICULARLY ACROSS  
SUPPLY CHAINS.**

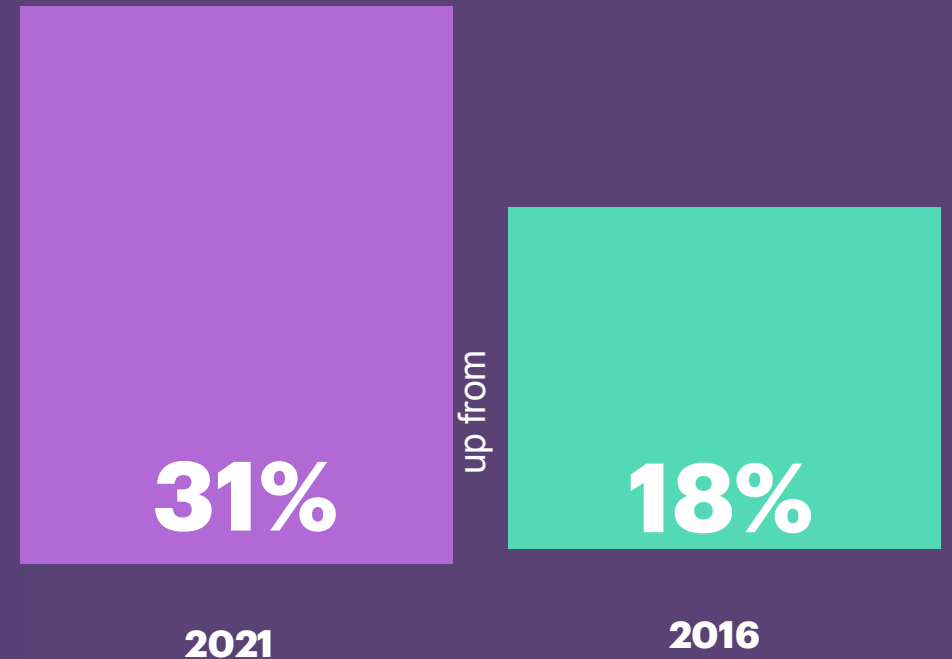


% of CEOs that say they have begun diversifying their material inputs in products and operations



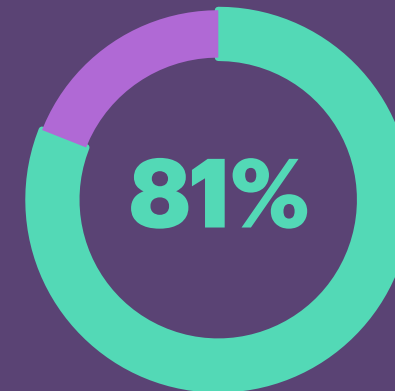
% of CEOs that say they have begun geographically diversifying their workforce and operations

**PRESSURE FROM INVESTORS AND CAPITAL MARKETS IS INCENTIVIZING MORE RAPID CLIMATE ACTION—ALL AMID A GLOBAL PANDEMIC.**

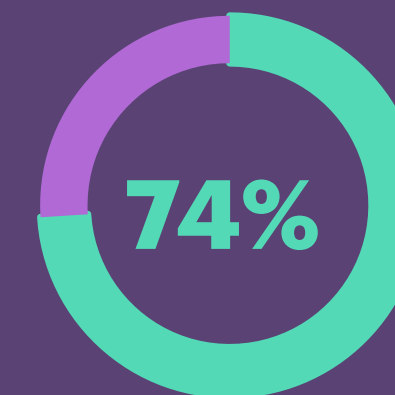


% of CEOs that cite investors as among the most influential stakeholders to manage future sustainability efforts

**CEOs SAY THE IMPACTS  
ARE A WAKEUP CALL  
THAT'S ACCELERATING  
THEIR TRANSITION TO  
MORE SUSTAINABLE  
BUSINESS MODELS.**



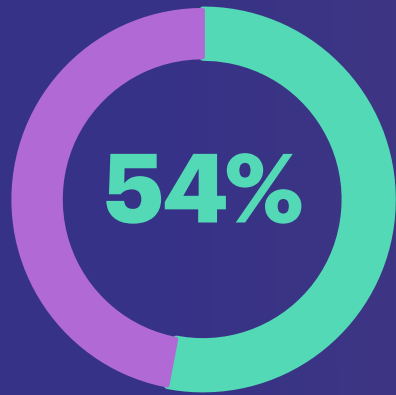
% of CEOs that say they are already developing new sustainable products and services



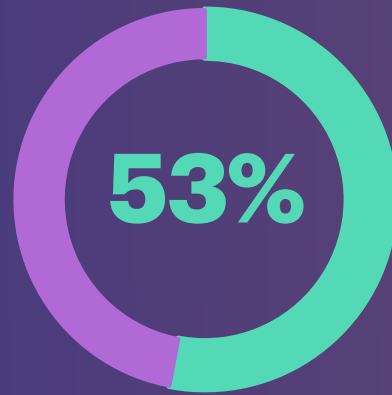
% of CEOs that say they have begun deploying new and circular business models

# CEOs AGREE THAT TECHNOLOGY IS ENABLING NEW BUSINESS MODELS AND WILL UNLOCK THE FUTURE OF INDUSTRY DECARBONIZATION.

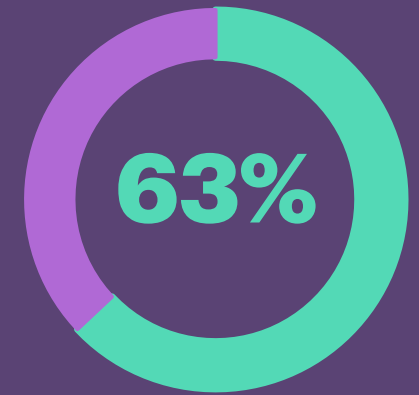
But to fulfill technology's promise, CEOs will need effective data management across the value chain and must overcome affordability and knowledge constraints.



% of CEOs that cite the affordability of technologies as a critical barrier to efforts

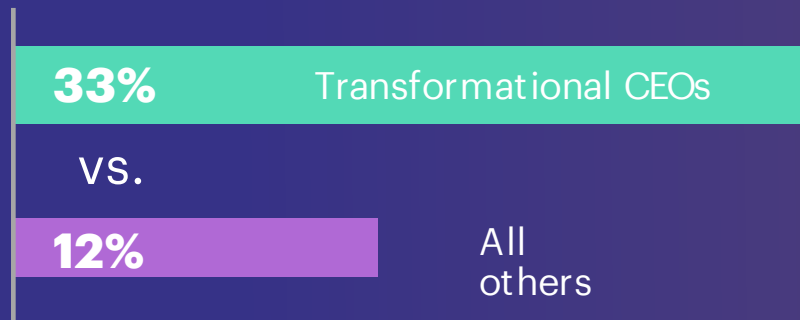


% of CEOs that report they struggle to understand which technologies can enhance their credentials

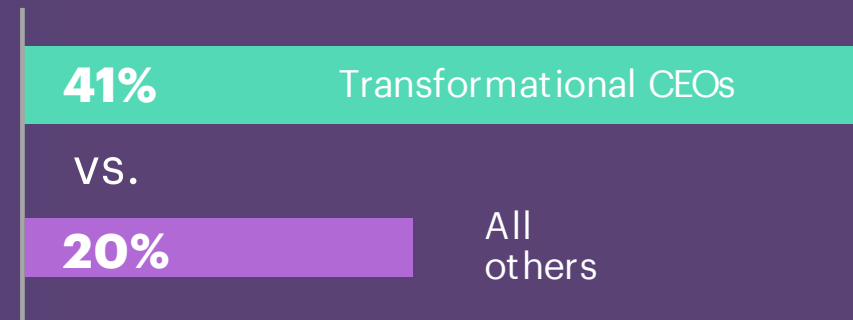


% of CEOs that say difficulty in measuring ESG data across the value chain is a barrier to sustainability

# LEADING CEOS SAY THEY HAVE BEGUN DIVERSIFYING THEIR OPERATIONS AND WORKFORCES...



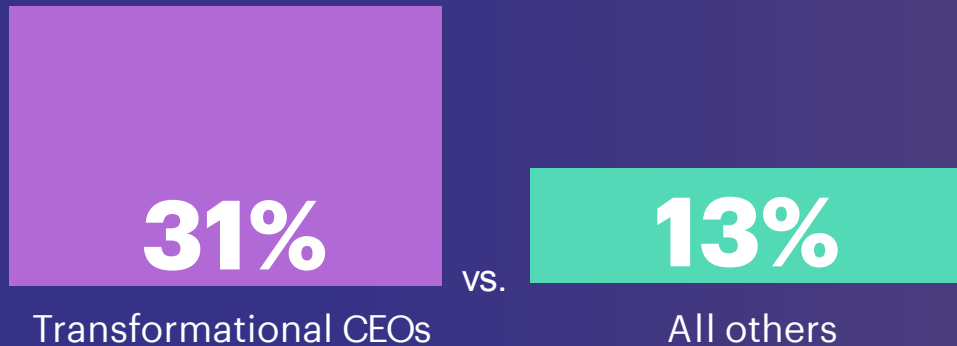
Nearly three times as many transformational CEOs say they are advanced in diversifying material inputs required for products and operations



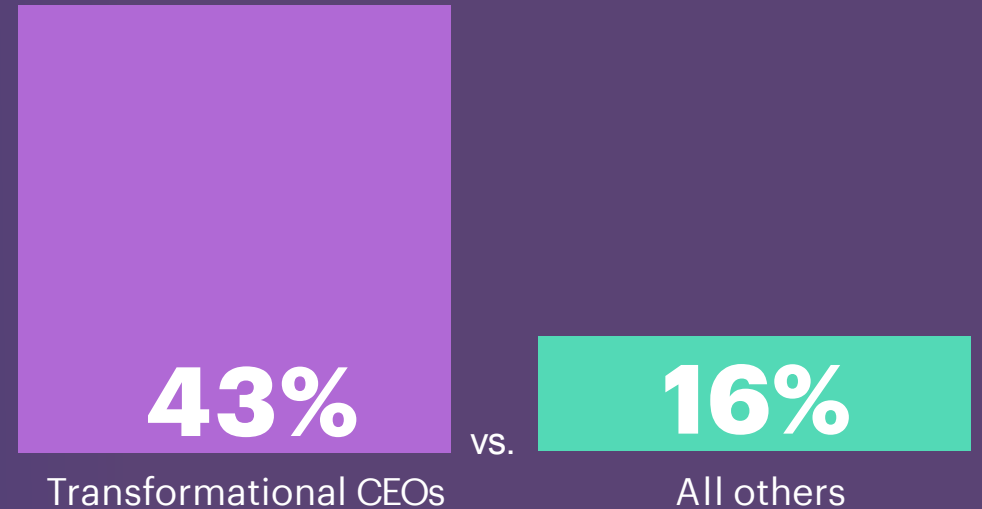
Twice as many transformational CEOs say they are advanced in designing resilient infrastructure



# ... ARE ACCELERATING R&D INVESTMENT IN CLIMATE-RESILIENT SOLUTIONS AND ARE HOLDING THEMSELVES TO HIGHER STANDARDS OF ACCOUNTABILITY.



Nearly twice as many transformational CEOs say they are advanced in boosting research and development investment for climate-resilient solutions

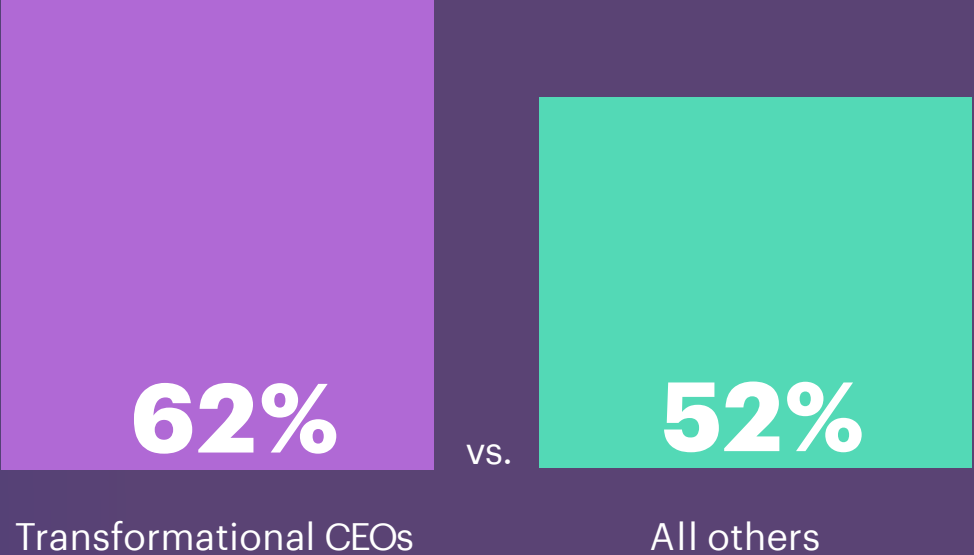


Nearly three times as many transformational CEOs say they are advanced in assessing and disclosing climate-related financial risk

# THESE TRANSFORMATIONAL COMPANIES ARE SHIFTING FROM FOSSIL FUEL USE FASTER AND RE-SKILLING THEIR WORKFORCE IN SUSTAINABILITY.



Almost twice as many transformational CEOs say they are advanced in their journeys to divest from existing fossil fuel investments



A larger percentage of transformational CEOs say they are investing in green jobs to deliver on the 2030 Agenda and the Paris agreement

# TO MAKE THE MOST IMPACT, CEOs SAY POLICY MAKERS MUST TAKE CRITICAL ACTIONS.

Only 18% of CEOs say governments and policymakers have given them the clarity needed to meet their sustainability goals.

## CEOs are asking for five critical policy actions:



Align Nationally Determined Contributions (NDCs) on the pathway to limit global temperature rise to a 1.5°C warming trajectory



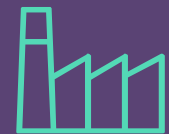
Enhance global cooperation on carbon pricing mechanisms aligned with the Paris Agreement



Meet and exceed the USD 100 billion commitment in climate financing goal for the Global South



Establish common standards for biodiversity protection and pathways for nature-based solutions



Increase business engagement in climate policy formation for collaborative climate action

**THE CEO SURVEY & EXPECTATIONS  
RELATED TO DIALOGUE AT COP 26  
INDICATE THERE ARE LIKELY  
TO BE QUESTIONS RELATED  
TO YOUR BLUEPRINT TO NET ZERO**

**How are you...**



1. Managing Scope 3 Emissions
2. Diversifying Material Inputs Required
3. Designing Resilient Infrastructure
4. Assessing & Disclosing Climate Related Financial Risk
5. Boosting R&D for Climate Resilient Solutions
6. Diverting from Fossil Fuel Investments
7. Investing in Green Jobs
8. Managing your Data Across the Value Chain



**Net Zero Standards | SBTi**

# SBTi Net Zero Standards

- Through a transparent multi-stakeholder process, the Science Based Targets initiative (SBTi) has developed a global science-based standard for companies to set net-zero targets
- SBTi's new strategy is to **increase the minimum ambition of businesses to 1.5°C**
- Companies with existing approved targets (approved in 2020 or earlier) will have until 2025 per the current SBTi criteria to update their targets
- To contribute to societal net-zero goals, companies must deeply reduce emissions and counterbalance the impact of any emissions that remain beyond the value chain, and the final element is neutralization of any residual emissions.

# The SBTi Net-Zero Standard defines corporate net-zero as:

- Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways
- Neutralizing any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter

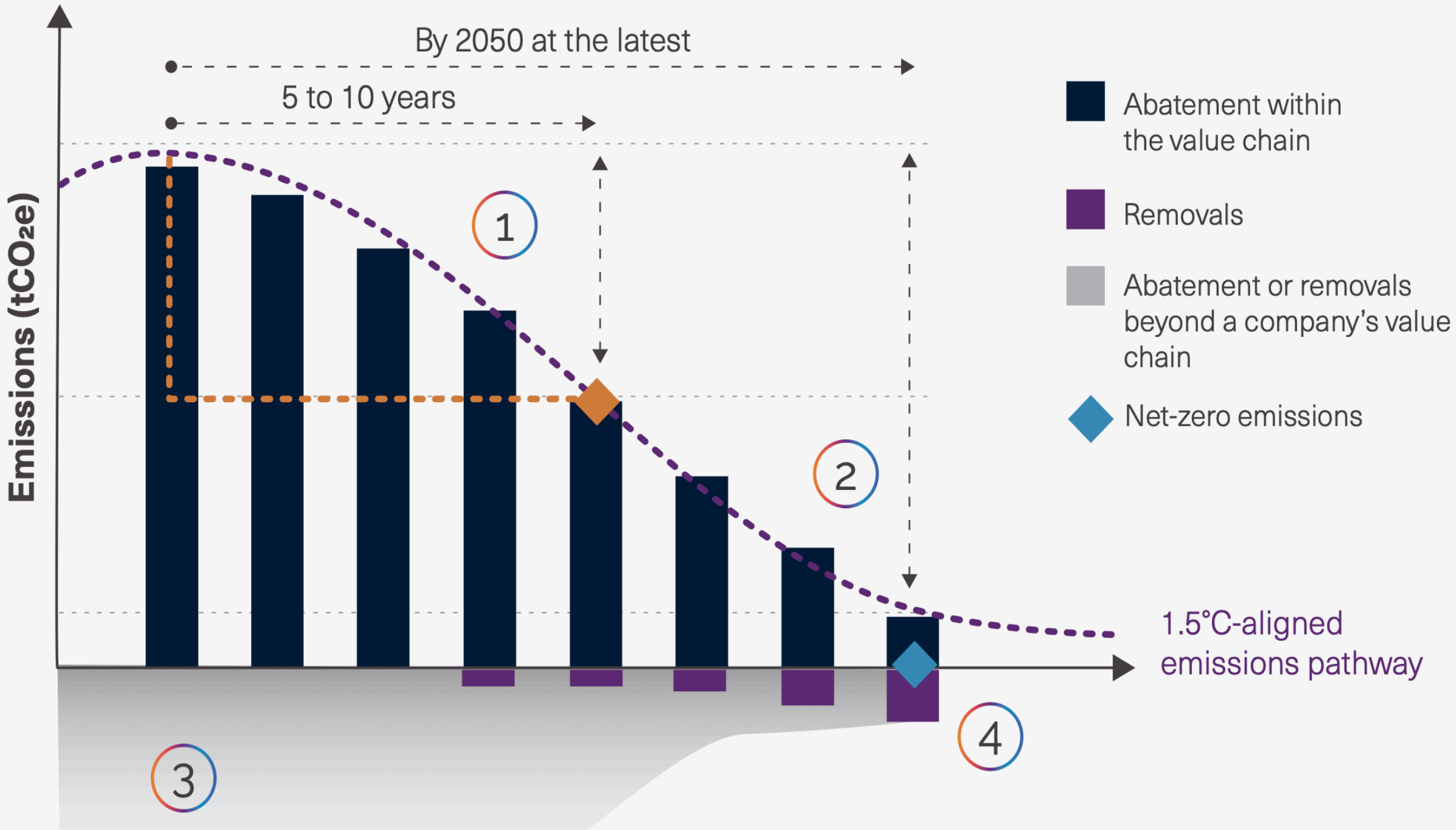
## Four key elements that make up a corporate net-zero target

**01** A near-term science-based target

**03** Mitigation beyond the value chain

**02** A long-term science-based target

**04** Neutralization of any residual emissions







**ISSB**

International Sustainability Standards Board

# International Sustainability Standards Board

IFRS Foundation announces **International Sustainability Standards Board**, consolidation with CDSB and VRF, and publication of prototype disclosure requirements

- Will develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs
- The IFRS Foundation will complete consolidation of the Climate Disclosure Standards Board (CDSB—an initiative of CDP) and the Value Reporting Foundation (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022
- The name of the standards to be developed by the ISSB will be "IFRS Sustainability Disclosure Standards"

A photograph of an offshore wind farm with several wind turbines in the ocean under a blue sky with light clouds. The image has a blue tint and a semi-transparent dark blue overlay at the bottom.

**Preferred Rates** | Climate Connected Capital



# Sustainability Linked Finance

Sustainability Linked Mechanisms are loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivize the borrower's achievement of ambitious, predetermined sustainability performance objectives.

## Three Mechanisms

- **Sustainability-linked Loans:** Financial institutions incentivize borrowers to achieve ESG goals, tying loan terms, primarily interest adjustments, to a predetermined ESG performance metric(s).
- **Green Bonds:** bond issue raises funds for new or existing projects which deliver environmental benefits. 'Green' can include renewable energy, sustainable resource use, conservation, clean transportation and adaptation to climate change.
- **Supply-Chain Finance:** Termed commitments with customers/partners (farms, etc.) are collateralized against green targets, providing capital directly to partners at reduced rates.

## Benefits for Banks

Expand lending portfolios and meet firm-wide sustainability commitments

Incentivize corporate clients to improve their sustainability performance

Leverage credible third-party ratings and opinions to accelerate the lending process

Support positioning as sustainable finance leader

Assist to meet public commitments made for sustainable finance

Deeper relationship and engagement with customers

## Benefits for Companies

Access to discounted loan rates

Improve overall sustainability performance

Demonstrate sustainability commitment to stakeholder

Flexibility to use the funds for general corporate purposes

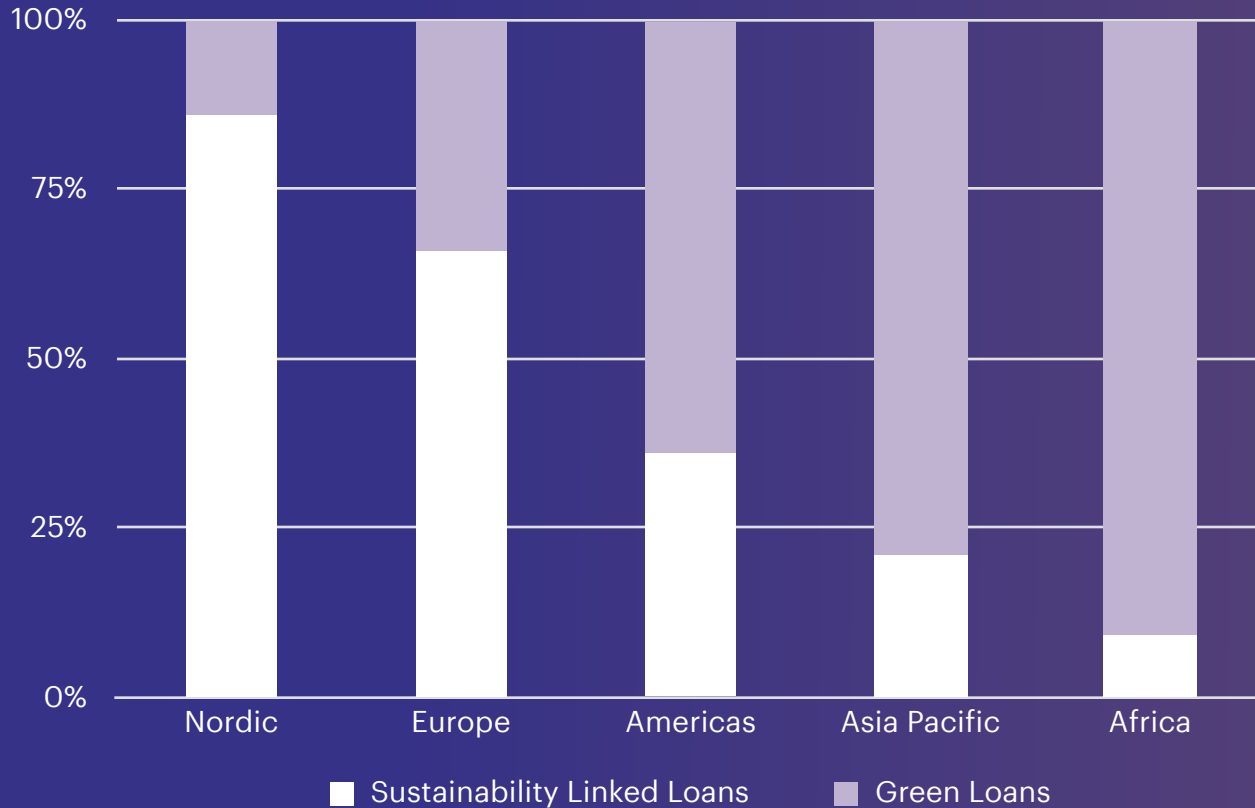
Deepen relationship and interactions with banks

Drive internal alignment across the business

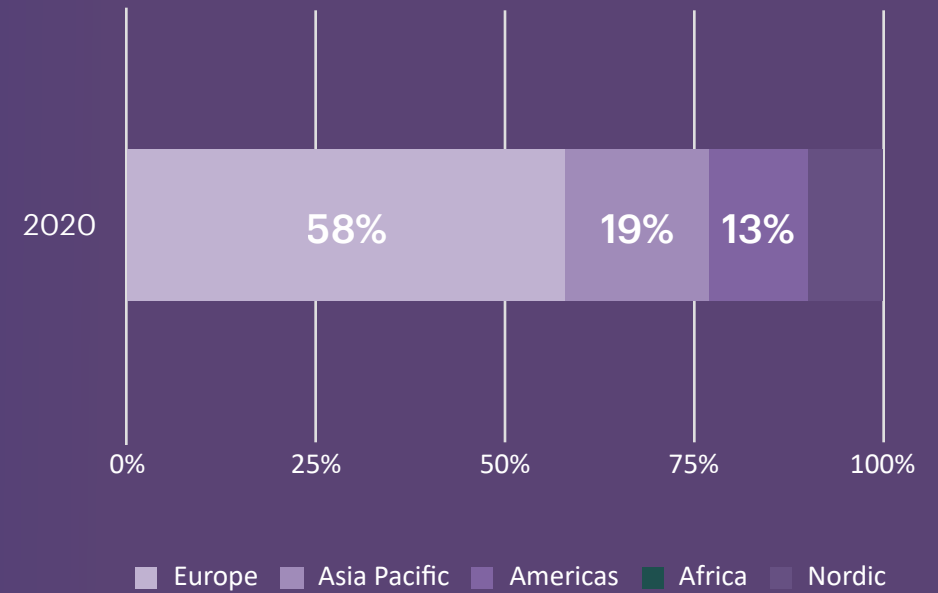
# Market Statistics

Originating in 2018 with issuance of the Green Loan Principles, SLL have grown to \$108 billion in issuance to date and have surpassed green loan volumes in 2019.

### Sustainable Loan Format Shares by Region (2019-2020)



### Regional Distribution of Sustainability Linked Loans



# Sustainability Performance Targets

Most sustainability linked loans are based on a company's ESG data or third party ratings; there are no overarching guidelines or standards so banks are beginning to develop their own green lending practices. The following standards are gleaned from the Sustainability Linked Loan Principles, developed in 2019 to guide SLL practices.

Category	Description
Energy Efficiency	Improvements in energy efficiency rating of buildings and/or machinery owned or leased by the borrower
Greenhouse gas emissions	Reductions in greenhouse gas emissions in relation to products manufactured or sold by the borrower or to the production or manufacturing cycle
Renewable energy	Increases in the amount of renewable energy generated or used by the borrower
Water consumption	Water savings made by the borrower
Sustainable sourcing	Increases in the use of verified sustainable raw materials/supplies
Circular economy	Increases in recycling rates or use of recycled raw materials/supplies
Sustainable farming and food	Improvements in sourcing/producing sustainable products and/or quality products (using appropriate labels or certifications)
Biodiversity	Improvements in conservation and protection of biodiversity
Global ESG assessment	Improvements in the borrower's ESG rating and/or achievement of a recognized ESG certification



# **Impact Index** | Sustainability Framework

# The Impact Index

A framework and label to drive sustainable products through standardized certification, data collection and reporting

01

Defining product-level sustainability and communicating it effectively

02

Understanding the certification landscape

03

Data collection and assurance across the complex value chain



**Stories 'powering' the label**

<b>Cotton</b>	<ul style="list-style-type: none"> <li>Organic Content Standard</li> <li>Recycled Claim Standard</li> <li>Global Recycled Standard</li> <li>Global Organic Textile Standard</li> <li>BSF e3</li> <li>Cotton Made in Africa (CmiA)</li> </ul>	<ul style="list-style-type: none"> <li>REEL Cotton</li> <li>Regenerative Organic Cotton</li> <li>United States Cotton Trust Protocol</li> <li>In-Conversion Cotton (Transitional in USA)</li> <li>Fairtrade</li> <li>Fairtrade Organic</li> </ul>
<b>Plant-based fibers</b>	<ul style="list-style-type: none"> <li>Global Organic Textile Standard</li> </ul>	<ul style="list-style-type: none"> <li>Organic Content Standard</li> </ul>
<b>Manmade cellulosic fibers</b>	<ul style="list-style-type: none"> <li>Forest Stewardship Council Program for Endorsement of Forest Certification</li> </ul>	<ul style="list-style-type: none"> <li>CanopyStyle Audits</li> </ul>
<b>Polyester</b>	<ul style="list-style-type: none"> <li>Recycled Claim Standard</li> <li>Global Recycled Standard</li> </ul>	<ul style="list-style-type: none"> <li>Roundtable for Sustainable Biomaterials (RSB)</li> </ul>
<b>Polyamide</b>	<ul style="list-style-type: none"> <li>Recycled Claim Standard</li> <li>Global Recycled Standard</li> </ul>	<ul style="list-style-type: none"> <li>Roundtable for Sustainable Biomaterials</li> </ul>
<b>Down &amp; feathers</b>	<ul style="list-style-type: none"> <li>Recycled Claim Standard</li> <li>Global Recycled Standard</li> <li>Responsible Down Standard</li> </ul>	
<b>Wool &amp; animal fibers</b>	<ul style="list-style-type: none"> <li>Responsible Wool Standard</li> <li>Responsible Alpaca Standard</li> <li>Responsible Mohair Standard</li> </ul>	<ul style="list-style-type: none"> <li>Organic wool certified to the Global Organic Textile Standard</li> <li>Organic wool certified to the Organic Content Standard</li> <li>Land to Market</li> </ul>
<b>Silk</b>	<ul style="list-style-type: none"> <li>Organic Content Standard</li> </ul>	<ul style="list-style-type: none"> <li>Global Organic Textile Standard</li> </ul>
<b>Leather</b>	<ul style="list-style-type: none"> <li>Leather Working Group</li> </ul>	
	<ul style="list-style-type: none"> <li>Leather Working Group EU Eco Label</li> <li>Bluesign</li> </ul>	<ul style="list-style-type: none"> <li>ToxServices Full Materials Disclosure Level 2 + 3</li> <li>Oeko-Tex Made in Green</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Produced in Fair Trade Certified™ factories</li> </ul>	<ul style="list-style-type: none"> <li>Produced in factories implementing worker empowerment programs:                             <ul style="list-style-type: none"> <li>Empower@Work</li> <li>P.A.C.E</li> <li>BSR H.E.R.project™</li> <li>Better Work</li> </ul> </li> </ul>

**empowerment**  
Driving action for the benefit of workers and gender equity in global supply chains