FOCUS ON ACTION

ACT | ASSESSING LOW CARBON TRANSITION

FRENCH ROAD-TEST WITH SMES AND MID-CAP COMPANIES

EXECUTIVE SUMMARY / MARCH 2018

ADEME
Agence de l'Environnement et de la Maîtrise de l'Energie

CDP
DISCLOSURE INSIGHT ACTION

Life Clim'Foot Project

CITATION OF THIS REPORT

ADEME: Edouard Fourdrin; ECO2 Initiative: Rémi Marcus (author and coordinator) and Eliot Geoffroy; Carbone 4: Stéphane Amant, Clément Ramos and Jean-Yves Wilmotte;
I Care & Consult: Guillaume Neveux and Léo Génin; Quantis: Edith Martin. 2018. Road-test of the ACT methodology with SMEs and Mid-cap companies in France, Executive Summary. 27 pages.

This document is published by ADEME

ADEME
20, avenue du Grésillé
BP 90406 | 49004 Angers Cedex 01

Contract number : 17MAR000609

Coordination technique - ADEME : FOURDRIN Édouard (Engineer)
Department/Unit : Climate Unit

Study conducted on behalf of ADEME by : the QICE consortium (Quantis, Icare & Consult, Carbone4, ECO2 Initiative)

Création graphique : Agence de communication, L'Effet papillon

Impression : Imprimé en France - Papier certifié PEFC

Brochure réf. 010580

ISBN : 979-1-02-971073-5 - Mai 2018 - 100 exemplaires

Dépôt légal : ©ADEME Éditions, mai 2018

TABLE OF CONTENTS

Key figures

30
French small, medium and Mid-cap companies participated in the ACT road test

83%
of these participating companies had already carried out a GHG accounting exercise

65
people were trained in the ACT method as part of the road-test **(40 company representatives, 15 consultants and 10 members of the Monitoring Committee)**

The road-test covered **6 business sectors:** Auto (1 company), Retail (9), Electric utilities (4), Food and beverage (4), Building (4), and Transport (8).

97%
of participating companies completed the ACT assessment

Excluding the training, the assessment required **five man-days on average** for the company and **four man-days** for the assessor.

The ACT method was also adapted to **three new business sectors** and to the small, medium and Mid-cap company target for the road-test: Food and beverage, Building and Transport.

14
low carbon transition pathways were produced to provide data for the scoring methods for these three new sector benchmarks.

The performance ratings obtained by the companies range from **17/20 to 1/20, assessment ratings from A to C** (on a scale of A to E) and trend ratings from "+" to "=" (on a scale of +/=/-).

The ACT assessment led to **6 avenues for improvement on average** per company from the assessor.

79%
of participating companies considered that ACT produced a (fairly or full) true image of their level of maturity in terms of climate change issues.

85%
considered ACT to be (fairly or fully) pertinent as a benchmark for progress towards a company's transition to a low-carbon model.

72%
plan to use the ACT assessment as a basis for designing or implementing a progress plan or a climate strategy.

76%
intend to share the subject internally, with their team and/or management.

98%
of companies and assessors consider that the support provided to companies was fairly or fully adapted to their needs.

The average level of satisfaction of the companies with the road-test is **7.4/10.**

Abbreviations and acronyms

ABC
Association Bilan Carbone (French association promoting low-carbon solutions)

ACT
Assessing low-Carbon Transition

ADEME
Agence de l'Environnement et de la Maîtrise de l'Énergie (French Environment & Energy Management Agency)

ETI
Entreprise de Taille Intermédiaire (Mid-cap companies in France (turnover < €1.5bn))

GHG
Greenhouse gas

SME
Small and Medium-sized Enterprises

QICE
Group of consulting firms: Quantis, I Care, Carbone4, ECO2 Initiative

SBT
Science Based Targets

SDA
Sectoral Decarbonization Approach

SNBC
Stratégie Nationale Bas Carbone (France's National Low-Carbon Strategy)

1. Context of the road-test

1. Context of the road-test

Contributing to ACT: An international initiative with national ramifications

The approach and basis of the Assessing low-Carbon Transition (ACT) method, imagined by ADEME ahead of the COP21, is fully in line with the terms of the Paris Agreement.

On the one hand, it uses as a baseline the achievement of GHG reduction targets by 2050 that would limit climate change to less than 2°C, while on the other, it consists of an operating tool for engaging private sector players in a transition of their business model that is compatible with this challenge.

Furthermore, initially designed for companies, ACT can also be viewed as an extra-financial evaluation tool that includes a rating that can be used by investors, thereby playing its role in the appropriation trend within the financial sector of energy/climate issues that has been taking place since COP21.

In order to give the initiative an international scope and favour its visibility among its natural stakeholders, ADEME formed a partnership with CDP right from the start of the development of the method.

The goal of the ACT project is to establish an international standard for assessing the compatibility of a company's strategy with the achievement of the "2°C" target.

The method is based partially on the works of the Sectoral Decarbonization Approach (SDA), developed by the Science Based Targets (SBT) initiative, which enables mapping of the company's desired "2°C pathway" according to a sector approach. The pilot phase carried out in 2016 with 21 large-cap companies in three business sectors validated the relevance and feasibility of the approach.

The next step aims to endorse the ACT project, on the one hand by setting up sustainable and concerted governance that enables careful monitoring and contributes efficiently to the deployment targets, and on the other by developing a sustainable economic model (or several co-existing ones) that increases the appeal of ACT for companies and investors and contributes to the financing of the project as a whole.

The road-test carried out by ADEME in France in 2017 using a sample of 30 SMEs and Mid-cap companies ("ETIs") marks the project's entry into a new phase that also aims to extend its deployment.

This involves broadening the scope of the ACT method (development of new sectors, adaptation to SMEs/Mid-cap firms) and testing the implementation of the method on a more massive scale and in different contexts.

It also involves disseminating the method by enabling stakeholders to increase their expertise on the subject through training and participation in road-tests, as well as developing an infrastructure for the exchange of data that meets the scale of the planned deployment.

The aim of the 2017 road-test was to make a substantial contribution to this part of the deployment.

Extend and increase support for the climate action of French SMEs and Mid-cap firms

ADEME has developed, promoted and published the Bilan Carbone® (carbon accounting method) for over a decade, thus enabling French companies to appropriate the challenge of the transition that underlies the climate change threat. This led to the "Article 75" requirement of the Grenelle II law with respect to periodic GHG accounting. It especially resulted in a large number of French SMEs and Mid-cap companies effectively integrating GHG management into their operating practices.

However, these same companies are struggling to launch the major shift in their strategy and business model required by the energy/climate transition, whether in terms of participation in the collective reduction effort or adapting to the transition to a low-carbon world.

The testing of the ACT method with French SMEs and Mid-cap companies also falls into this context, and is fully in line with the missions of ADEME's Climate Unit: it involves extending and increasing the scale of companies' initial progress on the climate change issue by providing them with a new generation of methodological tools that will help them to effectively take action.

Goals

The road-test of the ACT method with French SMEs and Mid-cap companies on a national scale, carried out and financed by ADEME, thus fits with the second phase of the ACT project and the continuation of ADEME's national missions.

Its objectives are the following:

- → **By incorporating an adaptation of the methodology to SMEs/Mid-cap firms developed by ADEME, and by exploring three new business sectors, it sets the ambitious goal of significantly broadening the application scope of the ACT methodology in two separate directions.**

- → **Applied on a national scale, it takes place in a more compact and more specific environment than the pilot test (French language, French regulatory and economic context, etc.) and is intended to pave the way towards a greater dissemination of ACT in France as a trigger of the transition of its network of SMEs and Mid-cap companies toward a low-carbon economy. In order to be relevant in the French context, it must use the SNBC 2015 as a reference (rounded out if needed by the foresight activities of ADEME) in setting the ambition levels sector by sector, instead of the framework used in the SDA and more generally in the SBT.**

- → **By adding the creation of ACT training courses, which enable the participants in the road-test to be trained in the method, it initiates a "capacity building" aspect, in partnership with Association Bilan Carbone (ABC), that will gradually be enhanced, both in terms of its national dissemination and international adaptations.**

The companies that were assessed

30 companies in six business sectors were selected for the road-test. Of differing levels of maturity in terms of their climate approach, they also present diverse profiles – from independent start-up to subsidiary of a large international group.

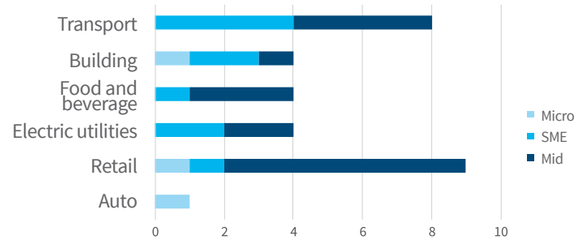


Figure 1: Breakdown of participating companies by size and by sector

Format of the support provided to the companies

Company support in the ACT assessment process is provided by assessors on the QICE team, with the exception of the first training session given by ABC.

STAGE	STANDARD FORMAT
Training	1 classroom session mixing companies and assessors for the first course
Data collection	First contact by telephone after the questionnaire is sent 1-day visit to the company by the assessor during the data collection stage Permanent remote support during the entire period (e-mail, telephone)
Analysis of answers	Autonomous analysis by the assessor Additional requests sent following a first analysis Finalisation of the analysis
Results (incl.preparation)	The assessor draws up a PPT with the results based on a common framework Results provided remotely via web conferencing Sector webinar for sharing experiences

Table 1:
The assessment process

2. The ACT method

General approach

The objective of the ACT method is to assess, by sector, a company's maturity with respect to the transition to a low-carbon economy. In its original version, which targets large companies, the assessment is firstly intended to be used by the companies, then potentially by investors, analysts and policy-makers.

The ACT method is based on the methodology developed by the Science Based Targets (SBT) initiative, and the Sectoral Decarbonization Approach (SDA), which itself is based on the ETP 2DS scenario of the International Energy Agency for the description of the available carbon budget in a "2° pathway".

The SDA determines, for each company, the theoretical carbon intensity pathway to follow in order to be aligned with the 2°C target.

Methodology

In the assessment based on the ACT benchmark, companies are asked five key questions:
the corresponding answers together provide a complete and coherent vision of the company's climate maturity.

1	2	3	4	5	?
What is the company planning to do?	How is the company planning to get there?	What is the company doing at present?	What has the company done in the recent past?	How do all of these plans and actions fit together?	The ACT rating is based on the answers to the 5 questions

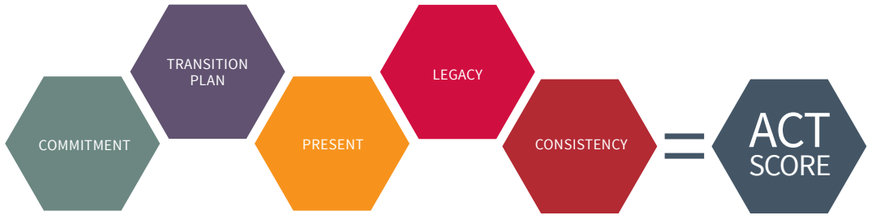


Figure 2 : The 5 key questions of the ACT assessment

In practice, the company is assessed based on its past, current and especially future actions that will enable it to follow its 2°C pathway.

ACT also aims to take into account all areas of action that could be potential levers for change according to a breakdown specific to each sector.

There is a shared general framework that consists of nine complementary modules describing the indicators and data requirements.

1	Targets
2	Material Investment
3	Immaterial Investment (R&D)
4	Sold Product Performance
5	Management
6	Policy Engagement Supplier engagement
7	Supplier Engagement
8	Client Engagement
9	Business model

Table 2: The assessment modules

The results produced by the method

The assessment generates three types of information, provided in the final results document:

1. A score that breaks down into three parts:
   → a performance rating,
   → an assessment rating
   → a trend rating.

2. A description of the information on which the assessment is based

3. A summary of the assessment

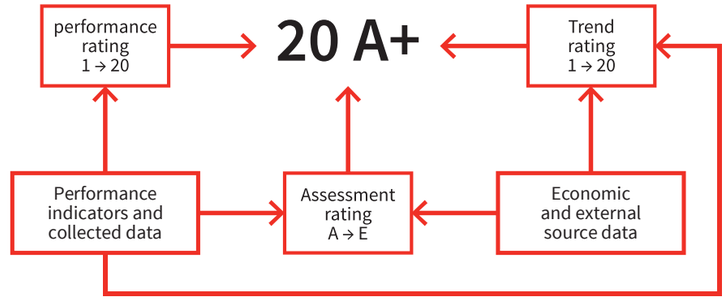


Figure 3: Illustration of the rating system used in ACT

The performance rating
is determined on the basis of the company's answers on the nine themes corresponding to the nine modules presented in Table 2.
It thus partly depends on the comparison of the company's real or projected pathway to its benchmark pathway calculated according to the SDA methodology (Modules 1 and 2, cf. table 2).

The assessment rating
summarises the ACT assessment of the company based on six additional criteria: its business model, its reputation, the level of maturity of its climate strategy, its strategic risks related to the climate change issue, its transparency, and, lastly, the consistency and credibility of the data provided in the framework of the ACT assessment.

The trend rating,
indicates how the score is expected to change if the ACT assessment is carried out at a later date.

The ACT methodology approach

In practice, in order to assess a company, the assessor transmits the ACT sector data questionnaire and then assesses the answers provided by the company against the applicable sector benchmark.

In the context of the road-test we are looking at here, the assessor also had the role of ensuring that the company properly understood the questions asked and was able to identify the verifiable data they needed to collect. Beyond their role as an assessor, they thus advised the company throughout the process of the ACT assessment.

The ACT assessment procedure foresees a verification by a third party. This was not part of our road-test, nor was it done during the pilot phase carried out with large-cap companies in 2016.

3. Adaptations and developments made as part of the road-test

3. Adaptations and developments made as part of the road-test

The works carried out to develop and adapt the ACT method and its tools mainly involved the following aspects:

- Developing and adapting the sector benchmarks

  → **Adaptation of the three existing sector benchmarks (Auto, Retail, Electric utilities) in the performance rating to SME/Mid-cap targets.**

  → **Development of three additional sector working documents (Food and beverage, Transport, Building).**

  → **Inter-sector harmonisation of the modules that are cross-sector by nature, and of their respective weightings (see Table 3), i.e. the "Targets", "Management", "Policy Engagement" and "Business Model" modules.**

- Producing the initial versions of the decarbonisation pathways applicable on the national scale for the six business sectors concerned by the road-test (see Figure 4). 19 pathways were produced in this framework, with a single benchmark pathway sometimes being used jointly by several sectors. These pathways – established within the framework of the SNBC 2015, which itself is rounded out by the foresight activities of ADEME where necessary – are set to be subject to additional work in the future, with the aim of improving their relevance and robustness.

- Formalising and adapting the method of calculation of the assessment rating, notably by incorporating two new criteria "Transparency" and Climate Maturity".

- Developing the sector tools integrated in the spreadsheet format including:

  → **the questionnaire given to the companies,**

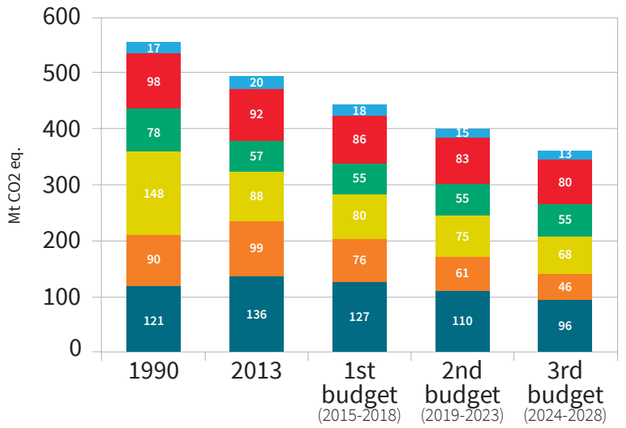
  → **the performance and assessment rating tools,**

  → **the benchmark pathways on which the performance rating is based for Modules 1 and 2.**

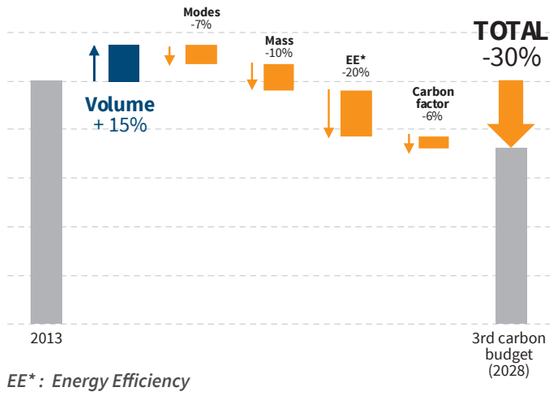
- Developing a results format that is adapted to SMEs and Mid-cap companies, which is also the report on the company's ACT assessment.

Module	Food	Auto	Building		Retail	Electric utilities*		Transport*	
			Builders	Property Management		Prod.	Fourn.	Propre	Sub-contracted
Targets	15 %								
Material Invest.	2 %			35 %	5 %	35 %		35 %	
Immaterial Invest.	8 %	10 %	15 %	5 %		10 %	5 %	5 %	5 %
Product perf.	30 %	30 %	25 %		25 %		30 %		15 %
Management	15 %								
Policy	5 %								
Suppliers	5 %	10 %	5 %	5 %	10 %		10 %		20 %
Clients	10 %	5 %	10 %	10 %	15 %	10 %	10 %	15 %	15 %
Business model	10 %								

Table 3: The weightings by module for the performance rating
* For certain sectors, sub-benchmarks lead to separate weightings: Building (Builders/Developers), Electric utilities (Producers/Suppliers), Transport (Own activity/Sub-contracted).

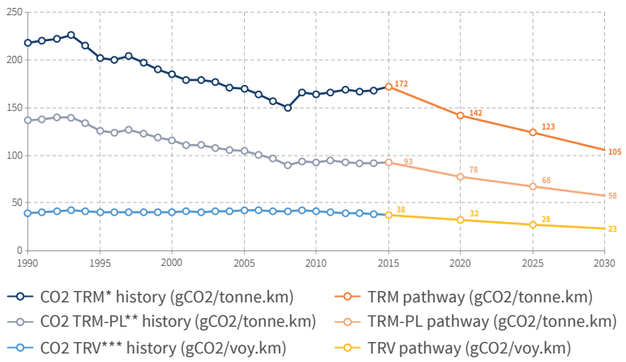


Trend in the emissions from the transport of goods



EE : Energy Efficiency*

2°C pathways proposed for road transport



**TRM : Road freight transport*
***TRM-PL : Road freight transport - heavy duty*
****TRV : Road passenger transport*

Figure 4: Building a sector decarbonisation pathway
used in the framework of the road-test: example of the Transport sector

Use of the SNBC Carbon Budgets

- Waste treatment
- Manufacturing
- Agriculture
- Residential-tertiary
- Energy
- Transport

Presentation of the volume effects and carbon intensity

Construction of 3 intensity pathways to 2030

4. The results of the company assessments

In this section we first of all present the overall results of the assessment for all the companies that participated in the road-test, with no sector breakdown, then the results sector by sector and the specific related factors of analysis.

Readers may refer to the presentation of the ACT method provided in the previous section in order to understand the different results presented herein.

Due to the absence of sufficiently distinct features of the specific sectors for the trend ratings and the avenues for improvement beyond the elements mentioned in the overall results paragraph, we do not provide a sector breakdown for the analysis of these points.

Conversely, the diversity of the players within each sector led us to consider some sub-sectors – for the methodology benchmarks developed and the following detailed presentation of results:
the Electric utilities sector consists of three producers and one supplier, the Building sector two builders and one developer and one company that combines these two sub-sectors (the final rating for this company is the weighted average of the two scores obtained against each applicable benchmark).

Lastly, there was only one company from the Auto sector, and given the closeness with the Transport sector, the results are presented in a shared section.

Overall results

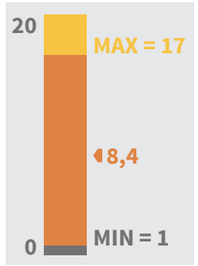
4.1. The ratings obtained

Average rating obtained by the companies in the overall panel

The average performance rating (8/20) is below the middle mark of 10/20 but fairly close to it. This can be interpreted by the fact that the benchmark is demanding for the companies in the panel, but also that it contains a realistic goal for SMEs and Mid-cap companies in terms of climate action.

Moreover, this average reflects a very broad range (from 1/20 to 17/20), which indicates greatly varying levels of maturity in the ecosystem of SMEs and Mid-cap companies. This range is, for example, much broader than the one observed in the pilot phase (21 companies, from 8/20 to 16/20). After analysis, it appears that there is no correlation within the panel between the size of the companies and their performance rating. Note that the range of the performance rating is significant in terms of sector averages, however (lowest average = 4/20; highest average = 16/20).

This range is probably at least partly linked to the strong bias of the sample. For example, three of the companies in the Electric utilities sector participating in the experiment are specialised in renewables and the fourth has a very ambitious transition plan.



The assessment rating is high on average (B on a scale of A to E). Unlike for the performance rating, the uniformity of ratings is notable here: 100% of the companies obtained a score between A and C.

The trend rating breaks down into equal proportions between "= " and "+" (no "-"). In general, a low performance score is often associated with a "+": among the companies of the panel, those that are least advanced in terms of climate action are currently seizing the issue, as illustrated by their participation in the road-test. Moreover, it is also more difficult to continue to make progress from an already high performance rating.

4.2. The overall profile of the answers to the five ACT questions

COMMITMENT

Most companies (66%) of the panel have set GHG reduction targets for all or part of Scope 1&2, usually over short horizons (< 3 years), and exceptionally beyond 2020.
Over this short time period, targets are often aligned with their benchmark GHG pathway.
A minority (28%) have set goals for Scope 3 indirect emissions that represent the transition challenges of the sector.

TRANSITION PLAN

Existing action plans, like commitment targets, are systematically set for short time periods.
As a result, there is no transition plan offering a long-term vision of their climate approach.

PRESENT

A large percentage of the companies (85%) already have a minimum commitment to GHG reduction actions, although in many cases these actions are not consistent with or formalised in the framework of an environmental, let alone climate, approach or strategy.

Actions generally point in the right direction in terms of GHG emissions, but do not target them specifically and they are never assessed from this point of view. However, a large majority (83%) of the companies have already carried out a GHG accounting exercise , on all or part of Scope 1&2, and some of these on Scope 3 (45%).
These characteristics are not correlated to their GHG accounting regulation eligibility.

LEGACY

It is often difficult to analyse the performance of companies' past GHG targets: in most cases they have carried out just one GHG accounting exercise, and only exceptionally have they set GHG targets in the past that have already come to their end.
As a result, legacies are generally non-existent and the trend analyses themselves are often impossible or very partial.

CONSISTENCY

Current climate initiatives generally lack consistency: most involve actions and/or approaches, but in only a minority of cases are they taken from the specific angle of decarbonisation.
For example, existing GHG targets most often derive from traditional energy management approaches and are only rarely the fruit of strategic reflection on climate change or in terms of the business model.

4.3. Average performance ratings per module

In the chart below, the orange bars represent the four cross-modules, i.e. that are identical for all sectors (content and weighting).
For the other modules, represented by the grey bars, the inter-sector average should be taken with caution, as these modules have different relative meaning and significance from one sector to another.

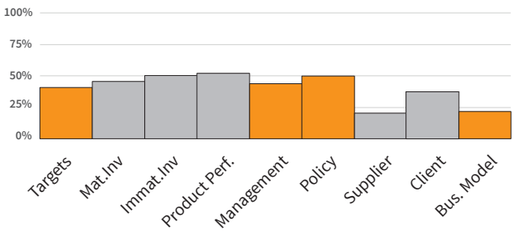


Figure 5: Average performance rating per module for the overall panel

All the modules present an average rating of between 35% and 55%, with the exception of Modules 7 (“Supplier Engagement”) and 9 (“Business Model”), which are slightly below 25%.

The small gap between the average ratings of the modules shows that all the modules present a similar level of difficulty in the framework of the assessment. The lower ratings of Modules 7 and 9 correspond to observations made during the road-test and confirmed by the company feedback following this road-test:

- Supplier Engagement is a particular challenge for SMEs and Mid-cap companies, which most often have a relatively low weight within the client base of their suppliers, even in strategic terms, unlike large companies.
- The positioning in terms of business models that are compatible with a low-carbon economy varies according to the company’s climate maturity, but even the most mature companies find it difficult to test alternative models, as they believe that this would automatically generate a significant risk for their business given its limited scope.

Note, lastly, that the very diverse levels of maturity of the companies are also reflected in the maximum range of the scores (from 0% to 100%) on most of the modules. The only module for which the lowest score is not 0% is Module 5 (“Management”): oversight of climate issues and internal competences can be highlighted for all companies in the panel. The highest score is 100% for five out of the nine modules, while the module with the lowest maximum score is Module 7 (65%).

4.4. Breakdown of the average assessment rating by criteria

The assessment rating is calculated by combining six additional criteria (Transparency, Business Model and Strategy, Consistency and Credibility, Reputation, Business Risk, Climate Maturity), among which Transparency has a double weighting.

It clearly appears from the breakdown that the “Reputation” and “Transparency” criteria are the ones that generally contribute to improving the overall ratings.

Thus, on the one hand the companies generally showed high levels of transparency, while on the other hand the “Reputation” criteria systematically led to an optimal rating in that no controversy or public blacklisting on climate issues involving one of the companies of the panel was detected.

The other criteria are, on average, at an intermediate level, which is consistent with the above contrasting observations for the “Climate Maturity”, “Business Model and Strategy” and “Consistency and Credibility” criteria.

The “Business Risk” criteria considers the risks borne by the company that are related to insufficient engagement: here, the risk is often linked to the fact that companies have trouble committing to business models that allow for a decoupling of the profitability of the business from the climate impact.

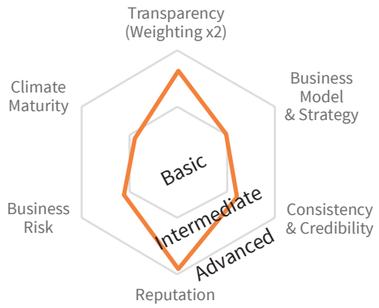


Figure 6: Average assessment rating for the overall panel

4.5. Avenues for improvement

The ACT assessment resulted in an average of six points of improvement per company. This figure varies between three (Electric utilities sector) and nine (Food and Retail sectors), i.e. – as shown by the results per sector presented in the following section – the sectors that present the lowest average performance ratings are those that have the greatest number of avenues for improvement, and vice versa.

Other than this variation in number, the proposed avenues of improvement consist of few sector specificities: they are generally simple and diversified to the extent that most companies have room for improvement on all subjects and each time the companies need to be guided to the next stage.

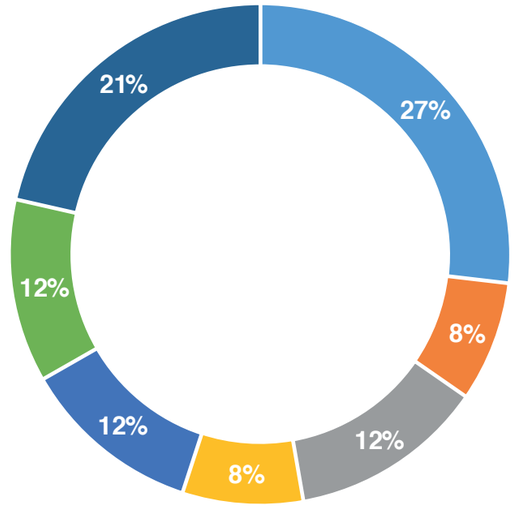


Figure 7: Breakdown of the avenues for improvement by theme for the entire panel

By way of example, we present below some of the recurring avenues for improvement stemming from the ACT assessments of the companies in the panel:

- Set targets related to the GHG accounting already achieved internally
- Analyse the carbon footprint of the products sold by the company
- Define and implement a detailed and concrete GHG reduction plan
- Set up management incentives for successful GHG actions
- Work in partnership with strategic suppliers to improve the carbon footprint of the products they design
- Test alternative business models already identified by the company
- Formalise the GHG approach to be able to provide supporting evidence for the answers to the ACT questionnaire

Results by sector

4.6. Electric utilities

Four companies of the panel belong to this sector.
Three of them are electricity producers, and the fourth an electricity supplier.

Average rating obtained by the companies in the Electric utilities sector

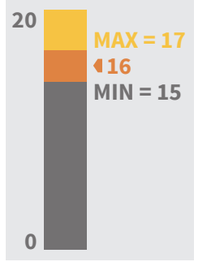
16 | A | =

The average score is very good compared with the overall panel.
This sector is highly exposed to the energy transition, with mature technologies. Nevertheless, it should be noted that this sample has a strong bias in the sense that the companies selected from this sector for the panel are on average much more advanced than most companies in the sector: three out of four companies are involved solely in renewable energies, and the fourth has already worked out its transition plan, which is not necessarily representative of a panorama of the sector on a national scale, whether with regard to producers or distributors.

Breakdown of the performance rating by module
The Electric utilities sector consists of two sub-sectors: electricity production, with seven modules, and electricity supply, with eight modules to analyse the performance of the company in terms of a low-carbon strategy.

For production, Module 2, Material Investment, has the biggest relative weight in the performance rating (35%), corresponding to the analysis of the existing and future production plants. For supply, Module 4, Sold Product Performance, has the highest relative weight in the performance score (30%), corresponding to the analysis of the carbon footprint of the electric power purchased and provided to end-clients.

The good average rating of the electric utilities sector is found in the performance rating assessment modules, notably for the Targets, Material Investment, Immaterial Investment, Sold Product Performance, and Management modules. The engagement modules are relatively weaker (except for Policy Engagement for the supplier company). Many alternative business models were identified, but they are not always mature and/or profitable, which explains the moderate rating for Module 9.
The variability of scores per module is relatively low within this sector compared to other sectors, which reflects the uniformity of the companies participating in the road-test and their fairly low number.



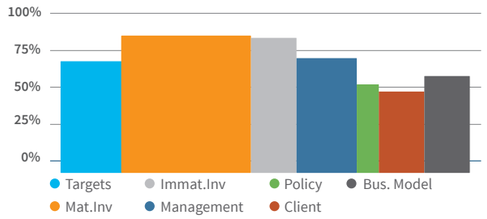


Figure 8: Performance rating by module for the Electricity Production segment

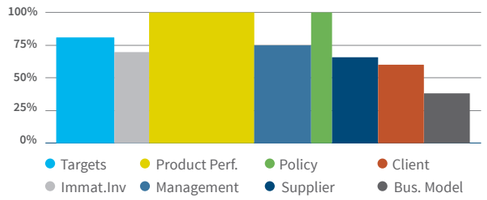


Figure 9: Performance rating by module for the Electricity Supply segment

Breakdown of the assessment rating by criteria
The companies in the Electric utilities sector also have good assessment ratings. With regard to transparency, all companies were able to provide the data and information required for the assessment. The business models, consistency and credibility of the different approaches, as well as the reputation of the companies in this sector are overall well rated, revealing companies that are aligned with the transition challenges.

However, the sector, which is undergoing changes, harbours a business risk linked to several parameters, such as the sustainability of economic incentives or regulatory uncertainty. The integration of climate change in the companies' strategies can also be reinforced.

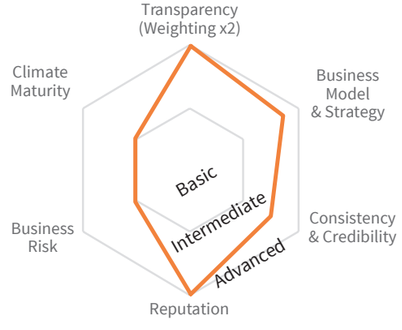


Figure 10: Average assessment rating for the Electric utilities sector

4.7. Retail

Nine companies of the panel belong to this sector.
They include retail banners with stores or on-line, specialised in different segments (hardware, clothing, children, etc.), ranging from micro companies to Mid-cap companies with international reach.

Average rating obtained by the companies in the Retail sector

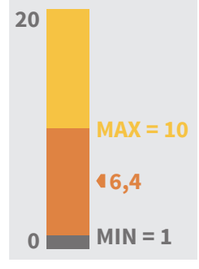
6 | B | +

The average rating is relatively low compared to the entire panel, reflecting the varied levels of climate progress within the sample. Most companies are implementing actions but few have formalised an approach. Companies struggle to take concrete actions targeting the GHG of their products.
For most of them, their small relative weight limits their ability to engage their suppliers; even if options for alternative models have in general been identified, they have very rarely been tested. None of the companies on the panel can be considered as having effectively started their transition toward a low-carbon model at this stage.

Breakdown of the performance rating by module
The retail sector has eight modules to analyse the companies' performance in terms of a low-carbon strategy. Module 4 (Sold Products Performance), which has the highest relative weight in the performance rating (25%), followed by Modules 1, 5 and 8 (Targets, Management and Client Engagement – 15% each). The sector is characterised by the differences in the ratings obtained by module from one company to another.

With the exception of Module 5, within which the oversight and internal capability can always be accounted for, in the sample, we observe minimum scores of zero for all the modules, which notably reflects the presence in the panel of a company that is at the starting point of its climate approach and has not recorded any actions on the issue (it obtained a performance rating of 1).

Module 9 (Business Model) has the lowest score, due to the lack of engagement on innovative business models, which are necessary to open up the sector to a functional economy. Accounting for the high standards of some of the participating companies with regard to the environmental quality of their products – not specifically on a climate criterion – raised the average score for Module 4 for the sector. However, only one company had done work before ACT to identify its hotspots in order to focus its actions on the products in categories with the biggest GHG impacts; all of the others used ACT as the starting point for this work.



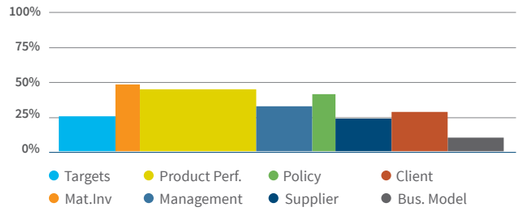


Figure 11 : Average performance rating by module for the Retail sector

Breakdown of the assessment rating by criteria
The modest scores on the Business Model, Maturity, and Business Risk criteria reflect the lack of concrete engagement in the transition and the risk that this creates for companies in the long run. Conversely, the companies overall showed themselves to be fully transparent in the framework of the assessment, and there were no "blacklisting" on the basis of climate issues. The absence of a history in most cases and the fact that most approaches are at their starting point logically resulted in median scores on this rating.

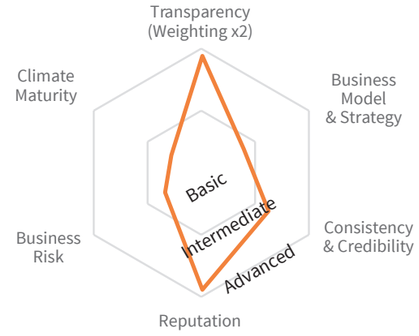


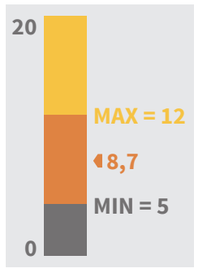
Figure 12: Average assessment rating for the Retail sector

4.8. Transport and Auto

Eight companies in the panel are from the transport sector, but one of them did not complete the road-test.
They include road carriers, mainly of goods (only one transports passengers), with a more or less significant share of their business in transport logistics, but never predominant. In terms of size, the breakdown is balanced: four Mid-cap companies and three SMEs. The Auto sector was represented by just one start-up in the panel.
Due to its closeness to the transport theme, we included it in this part of the analysis, without addressing it in detail.

Average rating obtained by the companies in the Transport sector

The average score of the Transport sector is close to that of the overall panel, at 8B+.
The variability of the performance rating is quite low, which reflects a certain uniformity within the sample in terms of the companies' carbon approach, related to the fact that most of the companies have committed to the "Objectif CO2" carrier's Charter, or have been awarded labels. Most companies implement actions, but none have really formalised a low-carbon transition strategy at this stage. For the only company in the Auto sector, the rating obtained was 16B=.



Breakdown of the performance rating by module
The Transport sector uses seven or eight modules to analyse the companies' performance in terms of a low-carbon strategy (depending on the type of company: "carriers" or "transport logistics"). Module 2 (Material Investment) has the highest relative weight in the performance rating (35%) of the "carriers" segment, and Module 7 (Supplier Engagement) at 20% for the "transport logistics" category.

The main difficulty companies encountered in relation to Material Investment (Module 2) lies in the structural impossibility of obtaining CO2 performance data from truck manufacturers, in order to assess the future emissions of their fleets in the framework of their investment/leasing plans. This obstacle was partially avoided by using a maturity matrix that does not require qua titative data.

Module 9 (Business Model) had the lowest score due to the lack of engagement on innovative business models, or solutions that break with the past, which are nevertheless essential to the sector's transition to a low-carbon economy. We note, moreover, that the score on Module 1 (Targets) is often penalised by the lack of long-term and/or intermediate targets. Conversely, the scores of close to 50% for the other modules reflect the fact that the companies in the sample have for the most part already appropriated the subject. Module 6 (Policy Engagement) notably presents the best average score, which reflects the strong positive policy positions of the companies in the sample.

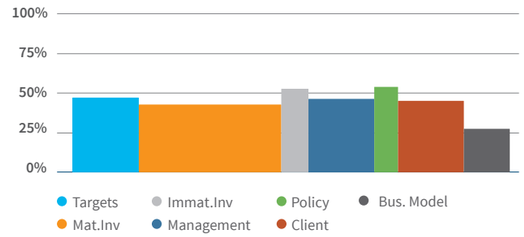


Figure 13: Average performance rating by module for the Transport sector

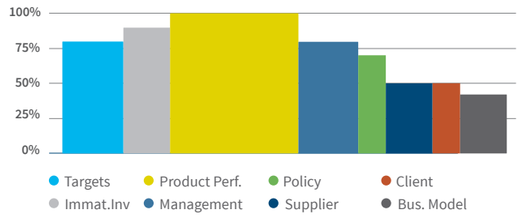


Figure 14: Average performance rating by module for the Auto sector

The assessment rating
With the exception of "Reputation", all the assessment criteria obtained the "Intermediate" score, which is quite remarkable. The Reputation score was "Advanced" for all companies in the sample, as none of them have a negative track record on climate issues. As transparency was very good, due to its overweighting, the average assessment rating is automatically driven up (hence the B).
Regarding the Auto start-up, the assessment rating is B despite all criteria except one obtaining the maximum score.
The "Basic" rating on the Transparency criterion (overweighted in the assessment) can be explained by the lack of a formalisation of actions and the general absence of an information system in the context of a start-up; this resulted in the downgrade from A to B.

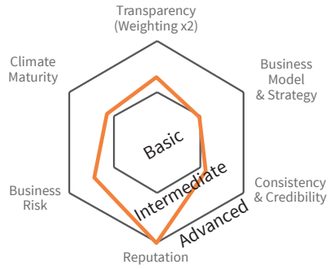


Figure 15: Average assessment rating for the Transport sector

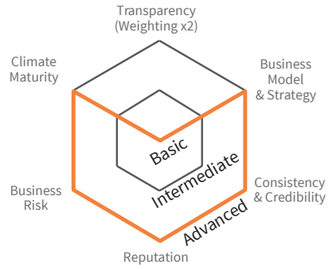
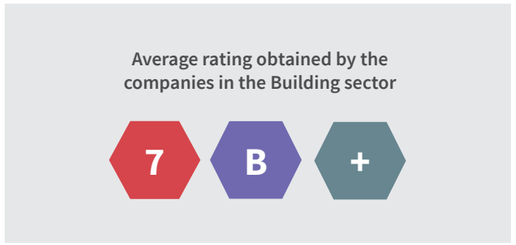


Figure 16: Average assessment rating for the Auto sector

4.9. Building

Four companies in the panel belong to this sector.
They are either property managers (for example, social housing landlords), developers or builders, SMEs or Mid-cap companies, mainly operating in France.



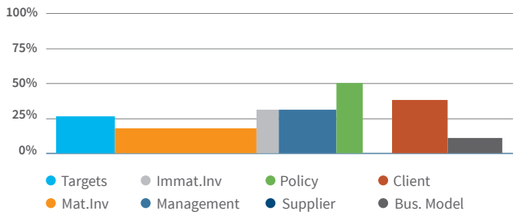


Figure 17: Average performance rating by module for the Building - Property management sub-sector

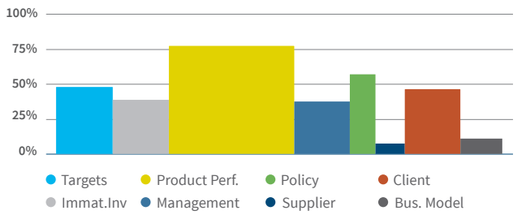
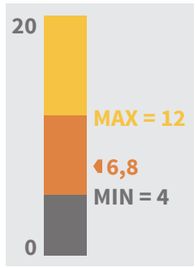


Figure 18: Average performance rating by module for the Building - Construction sub-sector

The average rating is low compared to the overall panel,
which encompasses varying levels of appropriation
of the climate issue within this sample. Most of the companies have a climate approach that is more or less formalised, but they struggle to concretely transform their engagement into emissions reductions; this is for example the case for the carbon footprint of building materials. Their ability to engage suppliers appears low given their limited size. Despite some innovative and original practices, the companies in the sample thus have a low level of maturity in terms of the climate issue and we can consider that none of them have started their transition toward a low-carbon model.

Breakdown of the performance rating by module
The Building sector uses eight modules of the general benchmark. Module 4 (the carbon performance of products) concerns the "construction" sub-sector only, and presents the highest relative weight in the performance score (25%); Module 2 (Material Investment) concerns the "Property management" segment only, and presents the highest relative weight (35%). The other modules are relatively similar, notably 1 and 5 (Targets and Management – 15% each).



In this sector, there are significant variations from one company to the next for the scores obtained for each module. Modules 5 and 9 are fairly uniform for the two sub-sectors, which indicates that overall the companies in the panel are at the starting point of their climate approach. Module 7 relating to Supplier Engagement has the lowest score for all companies (property managers and builders), due notably to the moderate size of the companies in the panel.

The formalisation of the transition plan (Module 5) is relatively limited, with ACT being the basis for starting work in this area at all of the companies. Lastly, the absence of historical data and long- term targets partially explain the low results on Modules 1 (Targets) and 2 (Material Investments). Conversely, the good score of Module 4 (Sold Product Performance) demonstrates that the builders in the sample work mainly on buildings with good energy performance. The Policy Engagement module also contributed to driving up the sector's rating, as all companies have publicly stated their policies for environmental protection in general.

Breakdown of the assessment rating by criteria
The companies were generally transparent in the framework of the assessments and no negative climate track records were identified, which would have lowered the score on the Reputation criterion. The modest scores on the Business Model and Climate Maturity criteria reflect the fact that the companies concerned have not really committed to or planned a transition at this stage, which is interpreted here as a risk for these companies in the long term.
The absence of a history for the approaches, which are most often at their starting point, in general result in median scores on the Consistency and Credibility criteria.

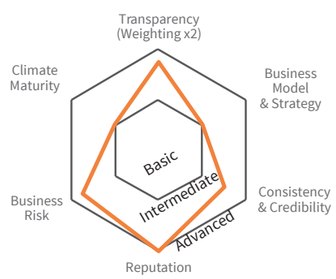
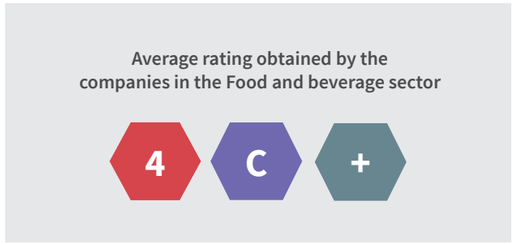


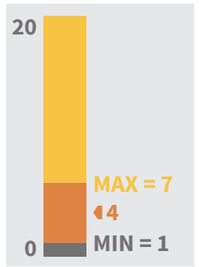
Figure 19: Average assessment rating for the Building sector

4.10. Food and beverage

Four companies in the panel are from this sector. They are producers of fruit juice, dairy, ready meals, frozen bread and brioches, ranging from SMEs to Mid-cap companies with international reach.



The average rating is low, reflecting a low level of advancement on the climate change issue within the sample.
Most companies are implementing actions, but only some of them have formalised a climate approach. While all of them have done GHG accounting at least once, the data is not always up to date or monitored across all the scopes. None of the companies in the panel have quantified Scope 3 GHG reduction targets over the long term, while in the agri-food segment agricultural raw materials are preponderant.



Breakdown of the performance rating by module
The food sector has nine modules for analysing the companies' performance in terms of their low-carbon strategy. Module 4 (the products' carbon performance) has the biggest relative weight in the performance rating (30%) ahead of Modules 1 and 5 (Targets and Management: 15% each). The sector is characterised by the variability from one company to another of the scores obtained for each module. With the exception of Modules 4 and 5, in the sample, we observe minimum scores of zero for all modules, which reflects in particular the presence in the panel of two companies that are at the starting point of their climate approach (with performance ratings of 1 and 2).

Module 9 has the lowest score due to the lack of engagement on innovative business models.The modules with the highest weightings in the performance rating are Modules 1 and 4. They enable to assess the efforts to quantify and set greenhouse gas reduction targets, and the efforts made by the company on the performance of products sold. None of the companies have quantified long-term Scope 3 GHG emissions reduction targets, and only one implemented a monitoring indicator related to GHG emission of products but with no decrease in monitoring either. In order to improve their score, companies mainly must quantify their GHG emissions across the three scopes, monitor them and set reduction targets that are compatible with a 2°C pathway.

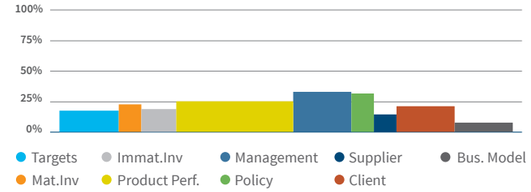


Figure 20: Performance rating by module for the Food sector

Breakdown of the assessment score by rating

The Transparency criterion, overweighted on the scale, leads to a good score that reflects the quality of the answers from this point of view.
The scores are low, conversely, on Business Model and Strategy, Maturity of Climate Integration and Business Risk, which reflects their low average engagement in a long-term transition approach.
The lack of past data and the disparity in some cases between the strategy announced and the efforts effectively made up to a recent past contribute to producing a low average score on the Consistency and Credibility criterion.
Lastly, as in general the companies have not been affected by controversies with regard to climate issues, the score is also good on the Reputation criterion.

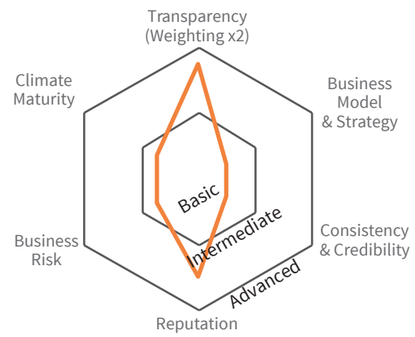


Figure 21: Average assessment rating for the Food sector

5. Evaluation of the road-test by the assessors and the companies

The support process for companies took place over five months between end-July and end-December 2017. The time spent by the assessors and consultants within this framework was subject to monitoring and feedback collection from these participants at the end of the road-test.

On average and excluding training, the companies allocated five man-days to their ACT assessment and the assessors around four man-days per company, for a total of six man-days for each of the two types of participants including the training (one day for the companies, two days for the assessors).

The evaluation of the road-test indicates a good level of overall company satisfaction (7.4/10).

This level of satisfaction stems from two important aspects:

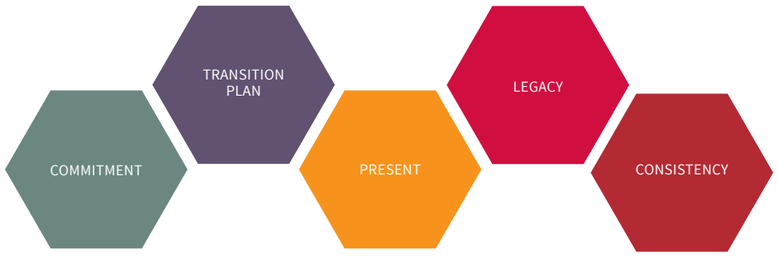
- In general the companies saw an interest and value for them in the results of their ACT assessments
- The time allocated to the ACT assessment was less that that expected by both the companies and the assessors (in the end around five man-days for both parties)

Most of them plan to use this assessment and to pursue the project, either to share their experience internally or in advancing their actions or climate approach from this basis. They approached ACT more as a benchmark for progress than as an assessment benchmark, and from this point of view consider that the road- test effectively enables them to move forward.

The benchmark was also deemed relevant in terms of assessment as in general it produced a fairly true vision of the companies' climate maturity.
The training and support provided were motives for satisfaction as they enabled both the assessors and companies to carry out the exercise under good conditions, despite an unfavourable context for designing successful training modules (lack of experience feedback at the start of the road-test).

Significant areas for improvement were nevertheless highlighted, in particular:

- Providing questionnaires that are more pedagogical
- Better scoring tools for the assessors for Modules 1 & 2
- Factoring in the different levels of difficulty of the modules, in particular taking account of the fact that SMEs and Mid-cap companies can lack power in the face of certain challenges (Supplier Engagement, Business Model)
- Extension of the support beyond the assessment to help the companies pass the lessons learned in the assessment through to their climate approach, in line with the logic of progress behind their participation in ACT
- The avenues for improvement in the companies' climate strategies provided with the assessments, which were the subject of great expectations and consistent with the logic of progress, were deemed too generic at this stage.



ACT | ASSESSING LOW CARBON TRANSITION

6. Conclusion / Outlook

Success points and limits of the road-test

It is when we compare the results of the road-test with its initial objectives that we can identify which aspects were successful.

The following list describes these main points:

- **The methodological content made available for the project and beyond** integrating three new sectors and an adaptation to the SME/Mid-cap target with French pathways provided based on the SNBC 2015 (rounded out by the foresight activities of ADEME where relevant) presents points of improvement, but proved to be fully operational, resulting in pertinent ACT assessments with respect to the initial principles of the method.

- **The inclusion of the already existing ACT method sectors** as well as new sectors is a favourable characteristic that should be repeated: this provided both a sufficiently robust basis (the existing sectors) to continue to improve the method in general, while broadening its scope of application via the new sectors, as would require a future large-scale deployment of the ACT project.

- **29 out of the 30 initially planned ACT assessments were completed,** allowing for rich and precious feedback for the next stages of the ACT project. This success rate is higher than the initial goal. In light of the diverse feedbacks collected, it appears that the format and implementation of the support provided to companies were behind this good result – in addition to the relevance of ACT for the companies.

- **The ACT method was shown to be as pertinent for SMEs and Mid-cap companies as for large companies,** although from a different point of view: the added value is higher in terms of a progress benchmark than an assessment benchmark in this context. We can measure this aspect partially through the fact that almost all of the companies plan to make use of it internally following the road- test.

- **The operational application of the ACT method to SMEs and Mid-cap companies, which clearly do not have the same means as large companies, did not present any major difficulties** under the conditions of the road-test (which notably included the initial training session and support provided by a competent consultant on the subject) despite the apparent complexity of its theoretical foundations, and the richness and diversity of its sector benchmarks.

- **The satisfaction expressed by several types of participants in the project,** starting from the companies, as well as the smooth execution of the assessment exercises (the time allocated to them was less than initially expected), are positive factors that contribute to conveying a positive image with respect to the future dissemination of ACT, notably on a national scale.

- **The initial training session on the ACT method enabled the companies and assessors to gain sufficient skills** for the needs of the assessments; it also provided an opportunity for development, testing, and improvement for this very first ACT training tool.

Conversely, the main factors that may have limited the achievement of the initial objectives of the road-test are the following:

- **The extremely tight schedule given the diversity of the objectives** restricted the possibility for further development – notably for providing robust benchmark pathways. It also resulted in the methodological adaptation and development work interfering with the ACT assessments themselves, in that part of these two tasks had to be carried out at the same time.

- **Regarding the training, the lack of useable feedback** limited the possibility of producing satisfactory case studies, and notably hampered the appropriation of the existing content by the consultants in charge of the adaptation and development.

- **The limited volume of the panel of companies, and for some sectors the lack of diversity within the sample, restricted sectoral learnings.** The Building and Food sectors had only four representatives in the panel, and the Auto sector just one. The view on these sectors thus must be considered as very specific. The Electric utilities sector only included players that are very well-positioned on the subject of climate transition compared to the average, and the representatives of the Transport sector were almost all committed to the national “Objectif CO2” programme.

Recommendations

Several simple lessons can be learned from the road-test from the viewpoint of a future replication of this type of project under similar conditions. In light of the experience gained, the following aspects should be taken into account in order to maximise the chances for success and the benefits:

- **It is useful to impose prerequisites for participation in this type of assessment: the ACT assessment was shown to be relevant for companies that are just starting out in terms of climate action, but the feedback that can be obtained is automatically limited. Such prerequisites can include several options as long as they enable the selection of companies that have already made progress on the climate change issue (existence of an action approach, accounting, targets, etc.).**

- **Particular attention should be paid to full exploitation of the content derived from the existing feedback, in order to enable the most efficient appropriation possible by the supervisors of the development of ACT; they would gain time and expertise right from the initial phase of the road-test.**

- **In the framework of a similar deployment requiring the development of sector methods, the schedule should be extended over several additional months (e.g.: 12 months in total) so that the developments can be carried out upstream of the support process with no interference. In particular, this should enable companies to be provided with questionnaires that are fully suited to the assessment methodology. This would also allow the companies to be mobilised over a shorter period of time.**

- **It is also recommended that the size of the sample of participating companies be increased in the future: the participation of around ten companies that are as diverse as possible within each sector studied appears to be a reasonable size.**

- **The inventory of best practices in the area of climate action collected among the participating companies should become one of the key objectives of a future development: given companies’ expectations in terms of recommendations and their desire for concrete examples that they can use as a basis for progress, the gradual creation of a rich and diversified set of best practices could be a decisive factor in ACT’s success with SMEs and Mid-cap companies in the future.**

ABOUT ADEME

The French Environment and Energy Management Agency (ADEME) is a public agency under the joint authority of the Ministry for Ecology, Sustainable Development and Energy and the Ministry for Education, Higher Education and Research. The agency is active in the implementation of public policy in the areas of the environment, energy and sustainable development.

ADEME provides expertise and advisory services to businesses, local authorities and communities, government bodies and the public at large, to enable them to establish and consolidate their environmental action.

As part of this work the agency helps finance projects, from research to implementation, in the areas of waste management, soil conservation, energy efficiency and renewable energy, air quality and noise abatement.

ADEME'S
COLLECTIONS

FOCUS ON ACTION
ADEME is a catalyste : Actors and stakeholders talk about their expe-rience and share their know-how.

EXPERTISE
ADEME is an expert – ADEME reports on research, studies and collective work carried out under its supervision.

FACTS AND FIGURES
ADEME is a reference – ADEME provides objective analyses based on regularly updated quantitative indicators.

KEYS TO ACTION
ADEME is a facilitator – ADEME compiles practical handbooks and guidelines to help actors implement their projects methodically and in compliance with regulations.

HORIZONS
ADEME looks to the future – ADEME promotes a forward-looking and realistic view of the energy and environment transition and what is at stake for society, to build a desirable future together.

FOCUS ON ACTION

ROAD-TEST OF THE ACT METHOD WITH SMES AND MID-CAP COMPANIES IN FRANCE

Executive summary

ACT's SME/Mid-cap companies road-test is a success!
Out of the 30 companies selected for the project, 29 completed their ACT assessment. These companies received their results on an individual basis between December 2017 and January 2018, and benefited from sector webinars presenting what was learned by sector and allowing for exchanges on the ways to improve ACT.

The results obtained varied greatly, which reflects the very different levels of climate maturity among the companies selected. Depending on this level of climate maturity, ACT is able to underpin the companies' strategies or help them to identify progress points. ACT was considered to be a true benchmark for progress by the participants in the road-test.

How can we assess a company with respect to climate change issues?

Imagined by ADEME and developed via a partnership with ADEME and CDP, the proposed Assessing low-Carbon Transition (ACT) method meets this challenge.

The international ambition of the method does not undermine the relevance of its dissemination on a national scale, applied to SMEs and Mid-cap companies that, beyond GHG accounting and already-existing action plans, wish to move forward in their transition toward a low-carbon model.

ADEME
Agence de l'Environnement et de la Maîtrise de l'Energie

www.ademe.fr

With the expertise of:
Quantis · i care & consult · carbone 4 · eco2 INITIATIVE

010580

ISBN 979-1-02-971073-5