

ACT

Assessing
low-Carbon Transition

ACT Step-by-Step: Methodology



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1. Introduction

The urgent need for a low-carbon transition of our human societies is no longer a point at issue. In 2016, ADEME¹ (the French Agency for Ecological Transition) and CDP² forged a partnership to develop and promote the Assessing low-Carbon Transition [ACT] Initiative³, with the objective of fostering climate action by companies around the world. They initially combined their expertise to develop the ACT Assessment [ACT-A] methodology. ACT-A recognizes companies, sector by sector, that have set ambitious climate commitments and are taking steps to ensure the transition to a low-carbon economy. It is a forward-looking, sector-based methodology that aims to evaluate a Company's decarbonization strategy. It combines both quantitative and qualitative assessment indicators to reveal the Company's alignment with the low-carbon transition.

As it stands, a vast majority of companies have not yet integrated the upcoming low-carbon transition into their strategies. Many of them are looking for help to do so, and it is expected that many more will express the same need in the coming years. ACT Step-by-Step [ACT-S] was developed by the ACT Initiative to respond to this need.

The objective of ACT-S is to provide guidance and support for companies to prepare, structure and implement their decarbonization strategies.

It is a methodology structured across 4 strategic levels and 5 steps. It is accompanied by practical resources to facilitate its implementation. The methodology is accessible to the public and the ACT-S resource package is available to any Company having received adequate training. A trained Company may use the ACT-S resource package according to its specific practices and needs, as long as it serves its ability to be an active contributor to the low-carbon transition. Most importantly, the decarbonization strategy should not be separate from the Company's business strategy: it should be fully integrated into the Company's overall strategy, and ideally be one of its main pillars.

A progress recognition system is associated with ACT-S, which will reward the companies engaged in ACT-S for their efforts during the process itself. Some requisites will apply to the companies that decide to benefit from the recognition system: the Company's progress will be validated at 3 checkpoints throughout the process.

Since their goals converge, there is a strong connection between ACT-A and ACT-S in terms of their frameworks. Although not its primary purpose, a co-benefit of implementing ACT-S is that it is a relevant preparatory process for an ACT-A assessment. However, ACT-S does not guarantee a good ACT-A rating, as the implementation of an ambitious decarbonization strategy remains the Company's responsibility.

This document presents the ACT-S principles, scope and methodology framework. It also presents the ACT-S practical resources that are available to the user and provides detailed guidance for implementation. The progress recognition system associated with ACT-S is presented in the last part of the document.

¹ <https://www.ademe.fr/en>

² <https://www.cdp.net/en/>

³ ACT is a joint voluntary initiative of the UNFCCC secretariat Global Climate Agenda. For more information: <https://actinitiative.org>

Throughout the document, the potential user of the methodology is named “the Company”. The names of other actors which have a clearly identified role in the ACT-S process are also written with an initial capital letter (definitions are provided in the Glossary [8.2]).

2. Principles

The ACT-S principles are the basis for, and will guide the application of, the approach and recommendations proposed in this methodology. These principles are applicable to the Company's low-carbon strategy as well as the Company's overall business strategy.

CLEAR-SIGHTEDNESS

The design of the strategy is based on sincere and informed analysis of the current situation and low-carbon transition stakes applicable to the Company.

AMBITION

The Company's ambition is to be an active contributor to the low-carbon transition. This includes contributing to climate change mitigation at a level that is in line with the objectives of the 2015 Paris Agreement (1) (2), or with the future global political agreement(s) that may replace the Paris Agreement in the coming years.

FEASIBILITY

The strategy is compatible with the Company's current resources, practices and mission, although the Company may envisage changing them in the future, potentially in a drastic manner.

CONSISTENCY

The various aspects of the Company's strategy are internally consistent. More specifically, its decarbonization strategy and other aspects of the Company's strategy are consistent.

PROFITABILITY

The decarbonization strategy contributes to the Company's overall profitability.

3. Scope

3.1. SCOPE OF THE DOCUMENT

This document presents the ACT-S principles, scope and methodology framework. It also presents the ACT-S practical resources available to users and provides detailed guidance for their implementation. The progress recognition system associated with ACT-S is presented in the last part of the document.

Based on the principles presented in the previous chapter, the architecture of the ACT-S methodology framework was designed using 3 main references:

- ◆ The continuous improvement approach, which was adapted to the context of the strategic cycle (3) (4)
- ◆ The classification of the TCFD recommendations (5)
- ◆ The ACT-A methodologies – the ACT Framework, the ACT Guidelines for the development of sector methodologies, the ACT sector methodologies and the ACT Generic methodology – which define the ACT approach, modules and indicators (6) (7)

3.2. SCOPE OF THE ACTORS

Potential users of ACT-S are business organizations, also called “companies” or “the Company” in this document.

The ACT Initiative uses a sector classification for companies, based on corresponding sector methodologies. This classification is also applicable for ACT-S. It is presented in the table below.

TABLE 1: ACT SECTORS, ORGANIZED BY RELEASE PERIOD OF CORRESPONDING SECTOR METHODOLOGY

2018	2019	EARLY 2021	MID-2021	2022
Auto	Construction	Cement	Agriculture & Agrofood	Aluminum
Electric Utilities	Real Estate	Oil & Gas	Iron & Steel	Chemicals
Retail	Property Development	Transport		Glass
		Generic (Other sectors)		Paper

This classification identifies 15 high-emitting sectors of activity. Companies that do not belong to any of these sectors are grouped together⁴.

⁴ ACT-A provides a specific Sector methodology for 15 high-emitting sectors, while a Generic methodology applies to companies that do not fall within the scope of any of these high-emitting sectors. The 16 methodologies are based on a unique ACT-A framework methodology.

ACT-S provides a unique cross-sectoral methodology for all companies, irrespective of their sector of activity and size. Nevertheless, the issues and challenges faced by the Company, as well as its decarbonization levers, highly depend on the Company’s activity and overall profile. The application of the methodology will therefore adapt according to the sector and, in some cases, other parameters such as the Company’s position within the sector value chain.

3.3. SCOPE OF THE METHODOLOGY

The Company’s decarbonization strategy has two complementary objectives:

- ♦ **THE ACTIVE CONTRIBUTION OF THE COMPANY TO CLIMATE CHANGE MITIGATION** – This primarily includes the minimization of direct GHG emissions and indirect upstream and downstream value chain GHG emissions. The Company’s contribution to climate change mitigation in other forms is also possible; this will be analyzed in ACT in terms of the Company’s influence on external stakeholders.
- ♦ **THE TRANSFORMATION OF THE COMPANY IN THE CONTEXT OF THE LOW-CARBON TRANSITION** – This consists of identifying changes that will impact the Company in the context of the transition, in terms of regulation, markets, resources and performance standards, and then taking these changes into account in the design of the strategy.

Although more emphasis is placed on the first one, ACT-S covers these two objectives simultaneously.

The Company will address the strategic challenges posed by both objectives through the systematic analysis and design of the main relevant aspects. ACT uses a total of 9 performance modules – each one being composed of several performance criteria⁵ – to describe the aspects that address the first objective, and 4 narrative criteria to describe the aspects that address the second objective. These modules and criteria are fully relevant for ACT-S.

TABLE 2: THE ACT PERFORMANCE MODULES AND NARRATIVE CRITERIA

PERFORMANCE MODULES			
(Targets)	(Core business performance)	(Influence)	(Business model)
1 - Targets	2 - Material investments	6 - Client engagement	9 - Business models
	3 - Immaterial investments	7 - Supplier engagement	
	4 - Sold products performance	8 - Policy engagement	
	5 - Management		

⁵ The ACT criteria, which are used defined and used in the ACT-S methodology, are based on the indicators defined in the ACT-A methodologies. See the Definitions [8.2] for a definition of the ACT criteria.

NARRATIVE CRITERIA

Business model and strategy

Consistency and credibility

Reputation

Risk

In terms of process, ACT-S covers the full strategic cycle, from the analysis of the current strategy and overall business context to the design and implementation of the new decarbonization strategy.

3.4. BOUNDARIES

The Company's GHG emissions that are relevant to consider in ACT-S – the GHG boundaries – include the Company's direct GHG emissions as well as some of the indirect value chain GHG emissions, according to their materiality and the Company's decarbonization levers. Hence, these emissions are the same as in the GHG reporting boundaries defined in the applicable ACT-A Sector (or Generic) methodologies. They will be defined according to the Company's profile – sector and, in some cases, other parameters such as the Company's position within the sector value chain – based on the same rules.

4. Framework

4.1. A STRATEGIC PROCESS

The ACT-S methodology framework consists of steps, actions, strategic levels and a set of guiding questions that together describe a standard strategic process for the structuration of the Company's decarbonization strategy. This chapter presents these items and how they combine together into a strategic process.

The decarbonization strategy makes sense if it is fully integrated into the Company's overall strategy. Where relevant, this standard process should therefore be adapted by the Company in order to fit with the overall strategic process. On the contrary, if the Company does not have a definite strategic process in place, then the ACT-S methodology framework will provide a relevant basis for a process that can extend to the overall strategy.

More generally speaking, the use and implementation of the ACT-S methodology will highly depend on the Company's profile, specific context and goals.

4.2. THE ACT-S PROCESS MAP

In order to design the ACT-S process, the standard continuous improvement scheme has been adapted to the case of a business strategy. This adaptation is described in Annex [9.1].

4.2.1. PROCESS STEPS AND ACTIONS

The process consists of 5 steps.



FIGURE 1: THE 5 STEPS OF THE ACT-S PROCESS

To complete each step, several actions are required.

TABLE 3: THE ACT-S STEPS AND ACTIONS

STEP	ACTIONS - short description
1. Current situation	Company profile - Identify the applicable ACT-S criteria Maturity of decarbonization strategy - Initial diagnosis
2. Issues & challenges	Carbon performance metrics - Identify the applicable carbon performance metrics and associated benchmark pathways Carbon performance assessment - Assess the Company's carbon performance and position with respect to existing targets Strategic analysis - Analysis of the Company's strengths, weaknesses, opportunities and threats in the context of the low-carbon transition Board training - Train the Company's decision-making individuals on climate-related stakes in relation to the Company's strategy
3. Vision	Long-term vision - Develop a vision of the Company in a low-carbon world Transition roadmap - Roadmap by steps from today to the low-carbon vision Board engagement - Formal endorsement of the vision and roadmap
4. New strategy	Carbon performance targets - Setting of new carbon performance targets Strategic plan - Design of the new strategic plan Board commitment - Formal commitment to the targets and strategic plan
5. Action plan	Definition - Identification of potential concrete actions that will allow implementation of the strategic plan and selection of the most relevant set of actions for implementation Implementation - Implementation of selected actions Monitoring - Monitoring and steering of action plan implementation

4.2.2. STRATEGIC LEVELS

The actions that compose the steps involve very different aspects of the strategy. They are classified across four strategic levels, which were formalized based on the classification of the TCFD recommendations (5). The correspondence between the two classifications is presented in Annex [9.2].

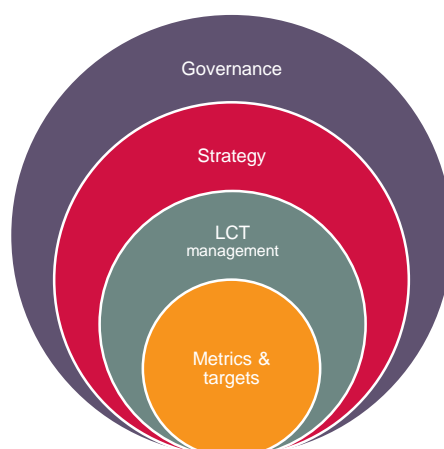


FIGURE 2: THE ACT-S STRATEGIC LEVELS

GOVERNANCE

The organization's governance around the Company's low-carbon transition.

STRATEGY

The actual and potential impacts of the low-carbon transition on the Company's businesses, strategy and financial planning.

LOW-CARBON TRANSITION (LCT) MANAGEMENT

The processes used by the Company to enable action, and assess and manage the low-carbon transition.

METRICS AND TARGETS

The metrics and targets used to assess and manage carbon performance.

4.2.3. PROCESS MAP

The ACT-S process map is structured using the above-mentioned steps and levels. The map displays more clearly how the actions follow each other within a given strategic level and how they are interdependent across these levels.

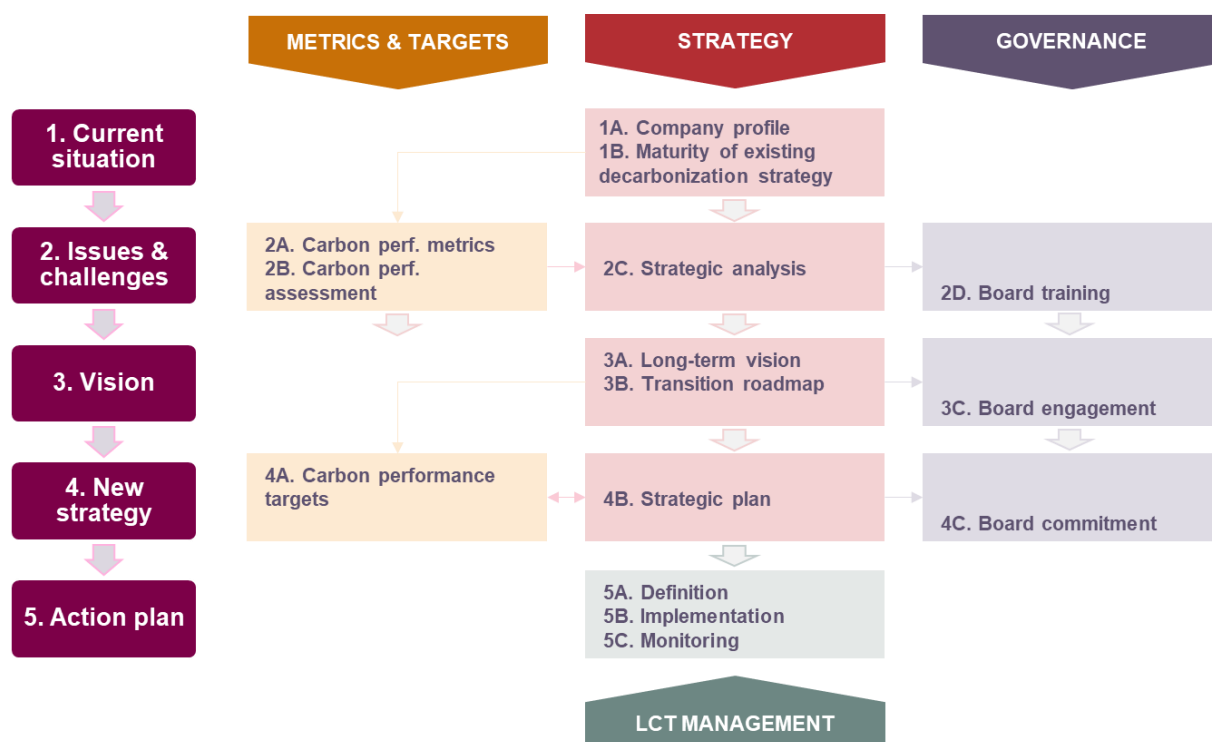


FIGURE 3: THE ACT-S PROCESS MAP

4.3. THE SET OF GUIDING QUESTIONS

4.3.1. COMPOSITION

The set includes all the questions that the Company will be facing throughout the process. These are the questions to which it needs to improve its initial answers, which are based on the current strategy and practices.

The set of questions is built based on 2 references:

- ♦ The ACT criteria
- ♦ The ACT-S process map

There are 2 types of guiding questions in the set:

- ♦ **PERFORMANCE QUESTIONS** - The vast majority of questions correspond to identified ACT performance criteria (and the corresponding ACT-A performance indicators). Each ACT performance criterion is transposed into one or more questions, which pave the way for the Company throughout the ACT-S process towards higher maturity on each aspect considered.
- ♦ **PROCESS QUESTIONS** – A smaller number of questions do not refer to any ACT criterion (and thus to any ACT-A indicator), but instead address actions (sub-steps) which should be carried out throughout the ACT-S process or should have been carried out before engaging in the process.

TABLE 4: EXAMPLE OF THE GUIDING PERFORMANCE QUESTIONS CORRESPONDING TO AN ACT PERFORMANCE CRITERION

ACT CRITERIA	ACT-S GUIDING QUESTIONS
TREND IN FUTURE DIRECT EMISSIONS INTENSITY (MODULE 2)	Is the near future trend of my direct emissions intensity aligned with the trend of my company's benchmark pathway? (Step #2)
	Does my investment strategy include improving the carbon performance of my emitting assets? (Step #4)
	Am I taking concrete actions to improve the carbon performance of my emitting assets? (Step #5)

Another set of questions will be used throughout the process in parallel with the progress grid. These are the **narrative questions**, which correspond to the ACT narrative criteria and play a similar role. The narrative questions will be used as safeguards throughout the process: by looking at the decarbonization strategy from complementary angles – compared to the performance questions – they will help the Company ensure that the corresponding major high-level characteristics are not being undermined; and in fact they should ideally be improved in the new strategy.

TABLE 5: THE ACT NARRATIVE CRITERIA AND THE CORRESPONDING ACT NARRATIVE QUESTIONS

NARRATIVE CRITERIA	NARRATIVE QUESTIONS
BUSINESS MODEL AND STRATEGY	How advanced is the Company in terms of relying exclusively on business models and activities which are both low-carbon aligned and profitable?
CONSISTENCY AND CREDIBILITY	How coherent are the Company's past and present actions with the implementation of its low-carbon transition plan and associated climate objectives?
REPUTATION	Is the Company's reputation undermined by any environmental controversies?
RISK	Are there any risks to the future profitability of the Company or its ability to implement its transition to a low-carbon economic model?

4.3.2. THE 5-LEVEL MATURITY APPROACH

For each question, the potential answer is classified on a 5-level maturity scale. The lowest maturity level corresponds to a situation where the Company starts from zero or does not know where it stands, while the highest maturity level corresponds to a situation where the Company's strategy, practice and/or performance is aligned with the requirements of the low-carbon transition. By providing an answer based on its current strategy, practice and/or performance and positioning it on this maturity scale, the Company will therefore understand where it stands compared to the maturity level that is necessary for the low-carbon transition.

The table outlining the 5 maturity levels for an ACT-S question is called its maturity matrix.

TABLE 6: EXAMPLE OF AN ACT-S GUIDING QUESTION AND THE ASSOCIATED MATURITY MATRIX

QUESTION	BASIC	STANDARD	ADVANCED	NEXT PRACTICE	LOW-CARBON ALIGNED
Does my strategy include investing in the carbon performance of my emitting assets?	My investment strategy does not include carbon performance	My investment strategy takes into account the carbon performance of my emitting assets	My strategy includes investing in the carbon performance of some of my emitting assets	My strategy includes investing in the carbon performance of a major share of my emitting assets	Investing in the carbon performance of my emitting assets is a major part of the strategy

4.3.3. SET OF QUESTIONS APPLICABLE TO THE COMPANY

All process questions and all narrative questions are applicable to any Company.

The performance questions that are applicable to the Company are those for which the corresponding ACT performance criteria are applicable, according to the Company's GHG emissions profile and action levers in terms of GHG mitigation and overall business model decarbonization. The set of performance questions that are relevant will therefore be adapted based on the Company's sector, according to the ACT sector classification. In some cases, the Company's position within the value chain or other aspects of the Company's activity will also be involved in defining the set of guiding questions.

The companies that will use ACT-S are very diverse in terms of size, resources, maturities of their decarbonization strategies and resulting objectives. The Company will therefore be able to go through the process according to 3 different routes, from minimal to extensive, which involve an increasing number of questions:

- ♦ **THE MINIMAL ROUTE** includes only the questions that are considered as key to a decarbonization strategy for any Company ; this brings together all progress questions as well as the questions that correspond to ACT performance criteria which are considered key to any Company as soon as it is relevant for the Company's sector
- ♦ **THE COMPACT ROUTE** includes the minimal route questions as well as questions that correspond to ACT criteria referring to some major decarbonization levers of the Company; it is the case for a criterion if the weighting of the corresponding indicator in ACT-A is superior to a given threshold; the threshold is chosen by the Company
- ♦ **THE EXTENSIVE ROUTE** includes the compact route questions as well as all other questions that correspond to ACT performance criteria that are relevant for the Company, i.e. if the corresponding indicator is relevant for the Company sector and the indicator weighting in ACT-A is not zero for the Company

The Company will be free to choose any of the above routes depending on its specific context. It will still be interesting for a Company which chooses the minimal or compact route to keep an eye on the questions of the more extensive route(s) during the process; and for a Company which chooses the extensive or compact route to bear in mind that there are questions that are more key than others in the whole applicable set.

4.3.4. INITIAL DIAGNOSIS AND PROGRESS MONITORING

The initial diagnosis is the first step of the process (Step #1): the Company will go through all the applicable questions and provide an initial answer to each one, based on existing strategy, practices and carbon performance. This sets the starting point of the Company for each question.

Each question is positioned on the process map according to the strategic level – depending on the nature of the question – and step/action – depending on where in the process the Company will build a more mature answer to the question.

Note: The result of the ACT-S initial diagnosis does not reflect the ACT-A rating. The Company should go through an ACT-A audit for an ACT-A rating.

By implementing actions, the Company will progressively improve its response to each question: it addresses the questions as they appear in the steps of the process map. Increases in the Company's ambition with respect to each question are monitored in the corresponding maturity matrix.

TABLE 7: EXAMPLES OF TYPES OF RESPONSES TO ACT-S GUIDING QUESTIONS TO BE PRODUCED BY THE COMPANY AS A FUNCTION OF THE ACT-S STEP

ACT-S GUIDING QUESTION	TYPE OF RESPONSE TO BE PRODUCED BY THE COMPANY DEPENDING ON THE ACT-S STEP
Is the near future trend of my direct emissions intensity aligned with the trend of my company's benchmark pathway?	Step #1 (Initial diagnosis) – The answer reflects the Company's current knowledge based on internal data collection only (no new data production or data processing).
	Step #2 (Progress monitoring) – The Company develops a new answer to the question, which may include data production, collection (both internally and externally) and processing.
Does my investment strategy include improving the carbon performance of my emitting assets?	Step #1 (Initial diagnosis) – The answer reflects the investment strategy of the Company before it is potentially modified within the ACT-S project.
	Step #4 (Progress monitoring) – The Company develops a new answer to the question, which potentially consists of modifying the investment plan as part of the decarbonization strategic plan. This would increase the planned investments in the carbon performance of the emitting assets.
Am i taking concrete actions to improve the carbon performance of my emitting assets?	Step #1 (Initial diagnosis) – The answer reflects the actions that are taken by the Company to improve the carbon performance of the emitting assets before new actions are potentially taken within the ACT-S project.
	Step #5 (Progress monitoring) – The Company develops a new answer to the question, which potentially consists of taking new actions which will improve the carbon performance of its emitting assets.

4.3.5. NOMENCLATURE FOR THE GUIDING QUESTIONS

When necessary, the guiding questions will be referred to with their individual codes, which are defined according to the following rule:

Question code = "STEP" + "ACTION" + "STRATEGIC LEVEL" + "MODULE.CRITERIA"

Where:

STEP	Figure from 2 to 5 corresponding to the process step in which the question is asked
ACTION	Letter from A to D corresponding to the process action in which the question is asked
STRATEGIC LEVEL	First letter of the relevant strategic level (M, S, G or L)
MODULE.CRITERIA	Figure from 0 to 9 representing the relevant ACT module, followed – after a dot – by the figure representing the relevant criteria in this module; by convention in ACT-S, the process questions are classified under Module 0 while the narrative questions are classified under Module 10-

For example, question code "4BS2.1" corresponds to question "Does my investment strategy include investing into the carbon performance of my emitting assets?".

In addition, a letter will be added to the beginning of the question code when necessary, in order to distinguish between the situation in which the question is posed during the initial diagnosis ("i", for Step #1) and the situation in which it is posed during the course of the Company's progress towards a more mature decarbonization strategy ("c", for Steps #2 to #5).

For example, question code “i4BM2.1” corresponds to a situation when the question “Does my investment strategy include improving into the carbon performance of my emitting assets?” is asked during the initial diagnosis.

5. Methodology implementation

This chapter first presents the prerequisites to engaging in the ACT-S process; it then provides recommendations for managing the project and details, step by step, some possible methods of implementing the project.

Except for one mandatory prerequisite (see next section), all contents in this Chapter are information, propositions or recommendations: the Company will be free to implement ACT-S according to its practices and needs, as long as it serves its ability to carry out the low-carbon transition. Most importantly, the Company should aim to fully integrate the low-carbon strategy into the overall business strategy and ideally make it one of its main pillars.

5.1. PREREQUISITES

There is **only one mandatory prerequisite for a Company to engage in the process**: someone in the Company must have taken and validated the ACT-S Coordinator training program. This also provides the Company with access to the ACT-S resource package.

The engagement of a Company in ACT-S makes sense only if some additional prerequisites are fulfilled. The following are strongly recommended:

- ◆ The Board has clearly expressed the willingness to engage in the ACT-S project
- ◆ At least one Board member has been appointed as ACT-S project sponsor
- ◆ An employee of the Company has been appointed as ACT-S project coordinator
- ◆ The project coordinator has taken and validated the ACT-S Coordinator training program
- ◆ The Company has carried out at least one organizational GHG inventory in the past two years that cover all significant GHG emission sources.

Additional recommendations for a Company to engage in the ACT-S process are:

- ◆ The Board and more specifically the project sponsor have been informed about the general context of climate change and associated impacts
- ◆ The project coordinator has also received training on GHG accounting
- ◆ Other employees who will be members of the project team have taken and validated an ACT-S training program

5.2. PROJECT RESOURCES

The resources presented in this section should be used by the Company for a standard ACT-S project. Of course, they are not all-encompassing, and other resources may be complementary and beneficial to the ACT-S project.

5.2.1. TEAM

SPONSOR - The project team includes the project sponsor [Sponsor], who is responsible for the integration of the ACT-S process into the Company's overall strategic process. The Sponsor is a member of the Board.

COORDINATOR - The project team includes the project coordinator [Coordinator], who is responsible for coordinating and managing the ACT-S project.

TEAM MEMBERS - Depending on the size and organization of the Company, the project team should include a panel of employees who together represent the main functions/departments/business units in the Company [Team members]. These employees should be managers in their respective functions.

ADVISOR - The Company may also decide to benefit from the support of a specialized consultant, who will be the Company's advisor throughout the ACT-S project [Advisor].

In order for a consultant to become an ACT-S Advisor for a Company, she/he must have proven eligibility to the ACT Initiative. To be eligible, a consultant must:

- ◆ Have taken and validated the ACT-S Advisor training program
- ◆ Have demonstrated competency and experience in GHG accounting

RESOURCE PERSONS AND EXTERNAL STAKEHOLDERS - Some additional employees will occasionally be involved for specific phases of the process [Resource persons]. This may also be the case for some representatives of the Company's external stakeholders [Stakeholders]. The Resource persons and Stakeholders are not directly part of the project team, but they will be in a position to contribute to the success of it.

TABLE 8: ACTORS INVOLVED IN THE RESPECTIVE ACTIONS THROUGHOUT THE ACT-S PROCESS

ACTION	BOARD	SPONSOR	COORDINATOR (+ ADVISOR)	TEAM MEMBERS	RESOURCE PERSONS	ALL EMPLOYEES	STAKEHOLDERS
1A. COMPANY PROFILE			X				
1B. MATURITY OF DECARB. STRATEGY			X	X	(X)		
2A. CARB. PERF. METRICS			X				
2B. CARB. PERF. ASSESSMENT			X		X		
2C. STRATEGIC ANALYSIS		X	X	X	(X)		(X)
2D. BOARD TRAINING	X	X	X				

3A. LONG-TERM VISION	X	X	X	(X)	(X)		
3B. TRANSITION ROADMAP	X	X	X	(X)	(X)		
3C. BOARD ENGAGEMENT	X	X	X				
4A. CARB. PERF. TARGETS		X	X	X			
4B. STRATEGIC PLAN	(X)	X	X	X	(X)		
4C. BOARD COMMITMENT	X	X	X				
5A. ACTION PLAN DEFINITION			X	X	X	(X)	(X)
5B. ACTION PLAN IMPLEMENTATION						X	(X)
5C. ACTION PLAN MONITORING			X	X			

The standard organization of companies does not generally match the structure of ACT in terms of performance modules and the associated decarbonization strategy dimensions. However, the Company will have to address questions that are organized according to these modules and address these dimensions. It may therefore be a challenge for the Company to compose the ACT-S project team and identify the relevant Resource persons.

In order to facilitate this task, the following table establishes an indicative correspondence between the ACT-S modules and the potential necessity/interest of involving a representative of the respective standard functions in the project, either as a Resource person or as a Team member. Of course, the table will be more relevant if adapted by the Company to its specific organization.

TABLE 9: INDICATIVE CORRESPONDENCE BETWEEN THE ACT-S MODULES AND STANDARD FUNCTIONS IN A COMPANY

	Targets	Material investments	Immaterial investments	Sold products performance	Management	Supplier engagement	Client engagement	Policy engagement	Business models
Board & Strategy									
CSR & climate									
Coms & PR									
Human resources									
Innovation									
Finance									
Purchasing									
Logistics									
Production									
Marketing & Sales									

5.2.2. PRACTICAL RESOURCES

A resource package was specifically developed to support project implementation, and is made available to users together with the current version of ACT-S. It includes 4 main items:

- ♦ **THE METHODOLOGY** – This document presents the framework methodology, the prerequisites to an ACT-S project and the recognition system; it is also a user manual: it presents the practical resources for the project and proposes practical recommendations to the user and possible methods of implementation.
- ♦ **THE PROGRESS GRID** – This is the Coordinator's logbook for the ACT-S project. It includes the set of guiding questions and the associated maturity matrices. The user will set up the grid and fill it out during the initial diagnosis (Step #1), as well as throughout the subsequent process steps. The progress grid will support the Coordinator and the Sponsor in steering efforts and monitoring progress throughout the process.
- ♦ **THE STRATEGY TOOLBOX** – This includes 4 different types of resources, which respectively support the implementation of actions involving strategic analysis and design for Steps #2 to #4: the first one is a Low-Carbon Transition Matrix that was specifically designed for analyzing the Company's strengths, weaknesses, opportunities and threats in the context of the low-carbon transition; the second one is a Catalogue of Creativity Techniques dedicated to the facilitation of the long-term vision and transition roadmap; the third one is a Strategy Design Method inspired by the Blue Ocean approach (8) that supports the definition of the Company's strategic plan; and the fourth one is a simple action plan manager, which will help the user during Step #5 in listing the identified actions and assessing / selecting them based on predefined criteria.
- ♦ **THE CARBON PERFORMANCE TOOLBOX** – This toolbox supports the implementation of actions involving the carbon performance metrics and targets during Steps #2 and #4. It is composed of a main didactic tool, dedicated to the definition and understanding of carbon performance metrics, as well as links and references to other potentially useful external resources. Based on the Company's profile and available activity and GHG data, the tool will first support the definition – if needed – of relevant carbon metrics, followed by the assessment of carbon performance and the comparison of this performance with the applicable benchmark pathways, which potentially also need to be identified by the Company. Finally, the tool will facilitate the setting of carbon performance targets as part of the design of the decarbonization strategy.

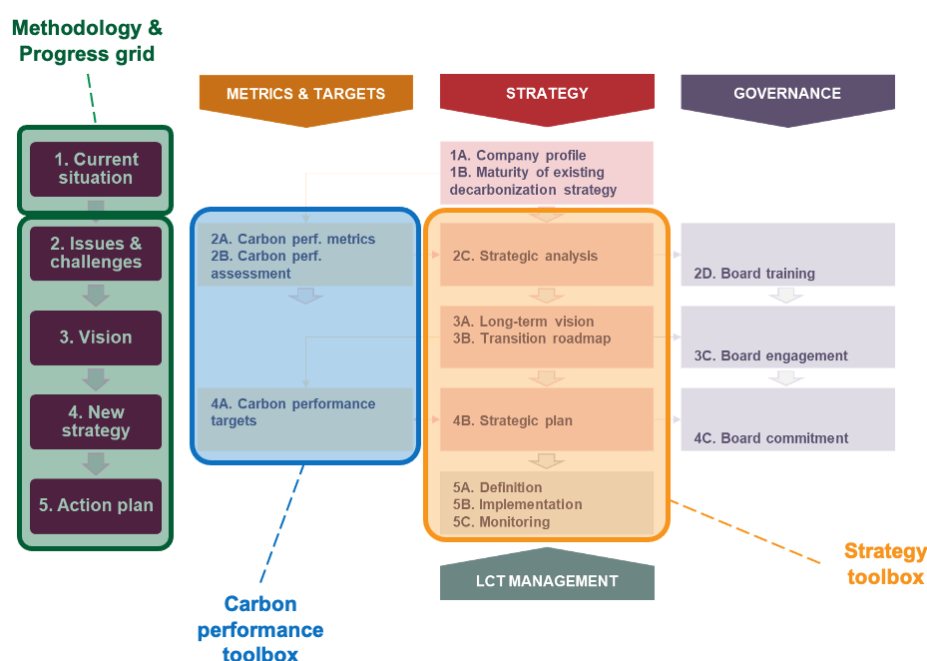


FIGURE 4: AREAS OF INTEREST OF THE ACT-S PRACTICAL RESOURCES ON THE PROCESS MAP

The preparation, structuration and implementation of the low-carbon strategy during the ACT-S process should enhance the Company's performance with respect to several standards that address climate action. This is why **a Mapping table is also appended to the resource package**: it identifies the potential co-benefits for the Company of improving with regards the ACT criteria as a function of requirements or expectations of several other standards of reference which may be used by, or applicable to, the Company. It therefore enables the Company to potentially maximize the value of ACT-S through other standards.

The ACT-S methodology and the associated practical resources described above should suffice for a smooth ACT-S project implementation. However, some additional resources may be of use during the project for an advanced approach to the methodology. Examples of potential complementary resources are listed in the bibliography of the methodology. These include in particular the existing ACT documentation, which will complement this methodology in terms of the description of the ACT general approach, architecture, criteria and terminology:

- ◆ The ACT Framework and ACT Guidelines for the development of sector methodologies describe the ACT general approach, data infrastructure, narrative criteria and general terminology
- ◆ The ACT Sector methodologies and the ACT Generic methodology describe the ACT performance criteria in detail according to the Company's sector and – in some cases – more specific Company characteristics.

5.3. STEP-BY-STEP IMPLEMENTATION

5.3.1. PRELIMINARY ACTIONS

Some actions are required before the ACT-S process itself starts: these will be necessary in order to fulfill the prerequisites to ACT-S, which are presented in Section [5.1].

Additional preliminary actions will be necessary in terms of the overall project management. This notably includes:

- ◆ **Assembling the ACT-S team** around the Sponsor and the Coordinator

- ◆ **Identifying and potentially informing the relevant Resource persons**, beyond Team members; more may be identified later on in the project
- ◆ **Organizing a kickoff meeting** for the project during which the objectives, the ACT-S process, the provisional schedule and the allocated resources will be presented

Depending on the Company's profile and the project context and objectives, participation in the kickoff meeting may be limited to the team, or involve a larger audience which would then include the Resource persons already identified.

5.3.2. STEP #1 – CURRENT SITUATION

AIM – Describe the initial maturity of the Company’s transition strategy

SHORT DESCRIPTION – Identify the relevant ACT criteria for the description of maturity of the Company’s transition strategy based on sector of activity and potentially GHG profile and action levers. Then conduct a diagnosis based on the selected criteria and set the starting point of the Company’s progress towards a more mature transition strategy throughout the ACT-S process. The diagnosis will explore all nine ACT pillars of the transition strategy, which cover core business performance, business models, value chain and policy engagement, and carbon performance targets.

INDICATIVE DURATION – 1 week to 1 month

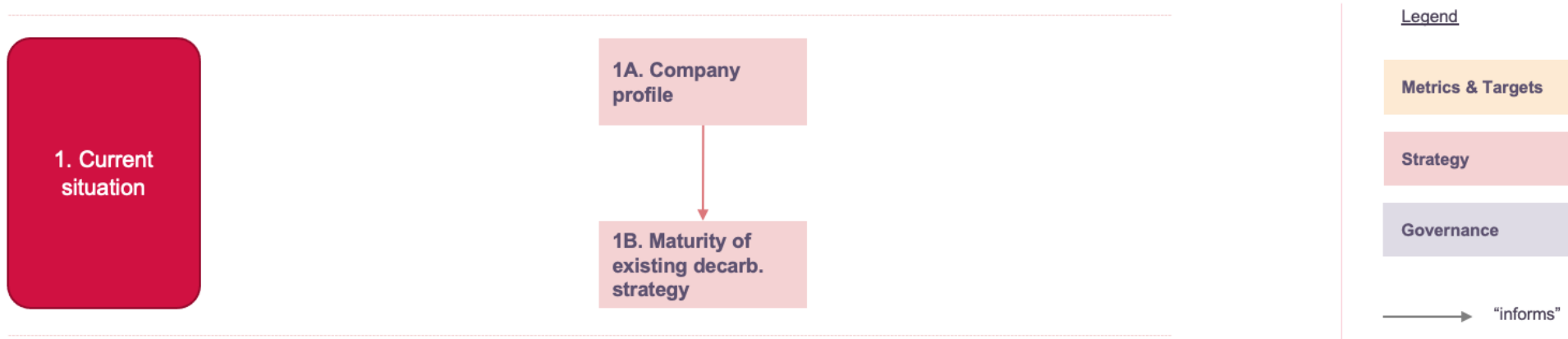


FIGURE 5: LOGICAL SEQUENCE OF ACTIONS WITHIN ACT-S STEP #1

STEP #1 ACTIONS	SHORT DESCRIPTION	ACTORS INVOLVED	PRACTICAL RESOURCES
1A. COMPANY PROFILE	The ACT-S guiding questions – applicable to the Company's initial diagnosis that will follow and the whole ACT-S process – are selected based on simple information (including the sector of activity) using the Progress grid.	Coordinator (+ Advisor)	Progress Grid – Set up
1B. MATURITY OF EXISTING DECARBONIZATION STRATEGY	Diagnosis based on the set of 30 to 50 ACT-S guiding questions and the scale of 5 maturity levels. Depending on the Company's profile (mainly size and maturity), the diagnosis will involve a different level of effort and number of people.	Coordinator (+ Advisor) Team members (+ Resource persons)	Progress Grid – Initial diagnosis

PROPOSALS FOR IMPLEMENTATION

ACTION 1A – The Coordinator will set up the progress grid based on simple information. Depending on the Company's sector, only the information of this sector will be required, or alternatively, the GHG profile, the position of major decarbonization levers in the value chain, and other simple information will also be used. Once this initial set up is complete, the set of applicable guiding questions will remain the same throughout the whole ACT-S project. This action should only take a few minutes and involve no one else except the Coordinator as soon as the relevant information is available.

ACTION 1B – The Progress grid is used to carry out the initial diagnosis: all the results will be recorded in the grid in the dedicated worksheet. This diagnosis may be organized in different ways according to the Company's profile, namely its size and maturity, which respectively condition the spread of relevant information across the Company and the amount of information that is potentially relevant for the diagnosis. It is a good practice to provide all relevant explanations and associated information together with the response to each guiding question (Resource persons, documentation, justification, etc.). If necessary, the information may be gathered in a separate file which will be referred to in the 'Comments' field available for this guiding question in the grid. This will in general be of much use later in the process.

Fast-track option – Applicable to small/less mature companies

The Coordinator is in a position to access the relevant information to respond to the majority of the questions. She/he goes through the grid on their own and responds to all questions for which they already have the relevant information. She/he will then bring together all Team members for a workshop dedicated to responding to the remaining questions during the workshop.

Extended option – Applicable to large/more mature companies

The Coordinator is not in a position to access the necessary information to respond to the majority of the questions. She/he goes through the grid on their own to group the questions according to the relevant interlocutors in the Company. She/he will then bring together these people, which may include the Team as well as other Resource persons, during a plenary meeting or separate workshops in order to present the questions and expected inputs from participants. A short process of information collection will follow the meeting, where the Coordinator is the focal point of the information flow. A second meeting (or series of workshops) may be useful to help the Coordinator fully collate and understand the gathered information and produce complete answers to the guiding questions.

In any case (fast-track or extended option), it is recommended that the results of the initial diagnosis are presented to all contributors, and more specifically to the Team. Indeed, the outcome of this diagnosis will be a major input to the subsequent steps of the process. For the same reason, these results should also be presented to – and discussed with – the Sponsor. Ideally, they may be presented to the whole Board.

5.3.3. STEP #2 – ISSUES & CHALLENGES

AIM – Inform the Board on the Company’s carbon stakes with the results of a relevant strategy and performance analysis

SHORT DESCRIPTION – Improve the Company’s ability to manage and monitor carbon performance, and potentially assess current carbon performance. Conduct a strategic analysis which explores the Company’s issues and the challenges in the context of the low-carbon transition and inform the Board of the outcomes of this analysis. These analyses, together with the outcomes of the initial diagnosis carried out in Step #1, will be used for training the Board on these matters at the end of this step.

INDICATIVE DURATION – 1 to 3 months

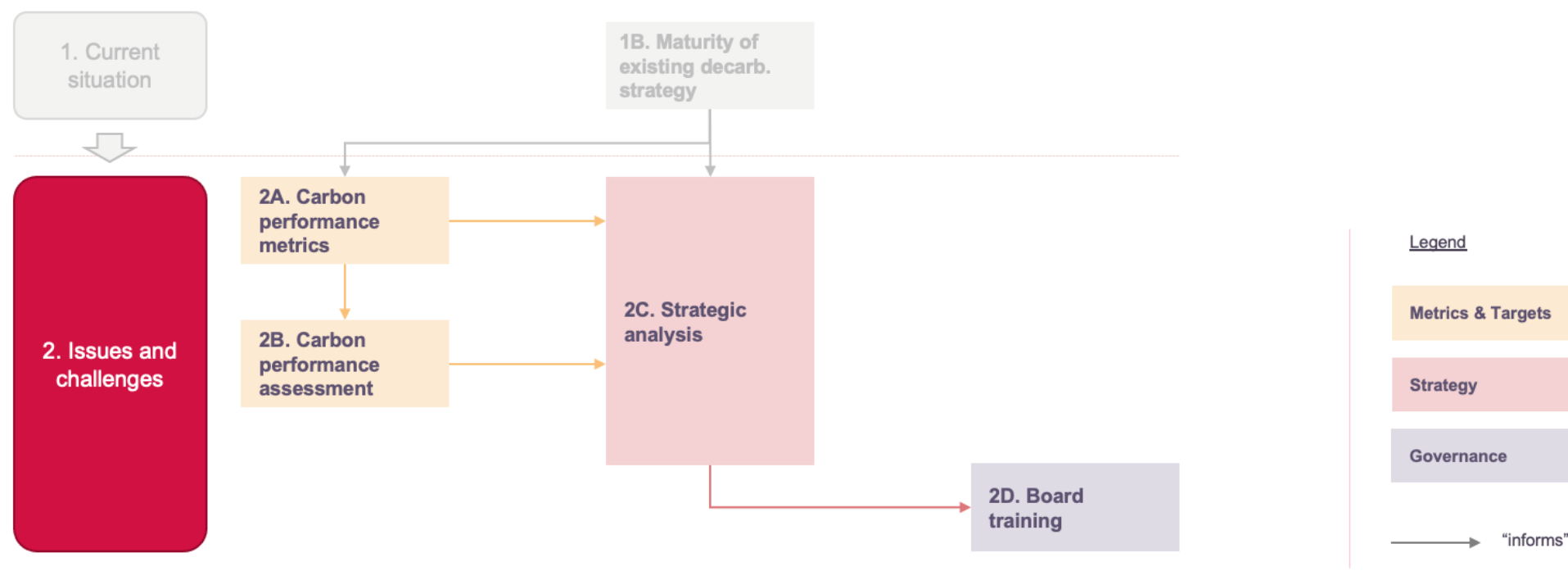


FIGURE 6: LOGICAL SEQUENCE OF ACTIONS WITHIN ACT-S STEP #2

STEP #2 ACTIONS	SHORT DESCRIPTION	ACTORS INVOLVED	PRACTICAL RESOURCES
2A. CARBON PERFORMANCE METRICS	Identifies the metrics that are relevant for the description of the Company's carbon performance, as well as the applicable benchmarks.	Coordinator (+ Advisor)	Carbon Performance Tool – (9)
2B. CARBON PERFORMANCE ASSESSMENT	Assesses the Company's carbon performance based on the above metrics and benchmarks.	Coordinator (+ Advisor) Resource persons	Carbon Performance Tool – (9)
2C. STRATEGIC ANALYSIS	Identifies the Company's strengths, weaknesses, opportunities and threats in the context of the low-carbon transition. It may be useful to involve a diversity of actors in this broad analysis, since they will contribute complementary points of view.	Coordinator (+ Advisor) Sponsor Team members (+Resource persons) (+ Stakeholders)	Strategy Toolbox – Low-Carbon Transition Matrix – (10)
2D. BOARD TRAINING	Board training on general climate change and low-carbon transition stakes for businesses, as well as the performance, issues and challenges that are specific to the Company in the context of the low-carbon transition.	Coordinator (+ Advisor) Board (inc. Sponsor)	<i>Company-specific training module to be developed specifically for the project</i>

PROPOSALS FOR IMPLEMENTATION

ACTION 2A – By nature, this action is essentially technical and will only involve a few people. Identifying which metrics are relevant to measure the Company's carbon performance is a prerequisite to the design of a decarbonization strategy, as it is necessary to allow targets setting and carbon performance monitoring. The action includes identifying relevant benchmark carbon performance pathways. If the Company belongs to one of the high-emitting ACT sectors (See Table 1), the corresponding ACT sector methodology will provide answers to the questions; if this is not the case, some relevant intensity metrics can be imagined based on the Company's GHG emissions and activity data (e.g. number or tons of products sold). The choice of metrics will take into account feasibility, which includes the Company's ability to produce the necessary input data, currently and/or in the future. More than one metric may be useful for a more comprehensive characterization of the Company's carbon performance. Absolute GHG emissions may be included in these key carbon performance indicators.

ACTION 2B – The action consists of using the carbon performance metrics and benchmark pathways identified previously in order to understand where the Company initially stands. This action is also technical by nature. However, it may require a significant amount of data collection in order to feed the performance assessment. This may involve a number of people, including Resource persons. Such data will include the GHG emissions track record as well as the Company’s activity data used in the defined indicators (e.g. number or tons of products sold). If such data is not available in practice, then being able to produce the data will be an area of improvement for the near future, as this is essential in order to be able to effectively monitor the Company’s carbon performance. If very short term improvement is not feasible, then it will have to be included in the future action plan (Step #5).

ACTION 2C – To define a successful climate strategy in a changing economy, companies should set their goals based on their strengths while managing their weaknesses. The strategic analysis allows the identification of these factors and represents a necessary step of strategic thinking. The Coordinator and Advisor should define who should be involved in the strategic analysis; the participation of all Team members and Stakeholders is suggested in order to enable a more comprehensive analysis. Indeed, the transition to a low-carbon economy will engender several risks and opportunities that may affect the Company’s resilience and that of its broader socio-economic environment. The response to these factors will depend on internal strengths and weaknesses. The risks and opportunities listed by the *Recommendations of the Task Force on Climate-related Financial Disclosures* (5) are a valuable framework to guide the strategic analysis: to understand how these factors apply to the Company’s reality, to estimate the level of impact and probability of them occurring, and finally, to identify the internal strengths the Company has to tackle them and the weaknesses that may emerge from or amplify them. Other bibliographical resources, which propose different angles on the probable or possible characteristics of a warmer/post-transition/low-carbon world (11) (12) (Other useful links – Section 7.2) may also help prepare the action and support the contributions.

Fast-track option – Only the Team involved

Only Team members and the Coordinator are involved. Ideally, the Low-Carbon Transition Matrix will be filled out during a dedicated brainstorming session, which may be in person or remote depending on feasibility. If setting up the session is not feasible, then the Coordinator should at least circulate the Low-Carbon Transition Matrix among Team members and gather their feedback, but this is the worst case scenario – live collaborative work and discussion will result in a more fruitful action.

Extended option – Participation beyond the Team

Involving a range of people who represent various types of expertise and points of view on the Company’s business, inside and outside the Company, will maximize the benefit of the exercise, as it may shed a light on perspectives that are not visible from within the Team itself. The options for the brainstorming session remain the same, but will require more significant management as the number of people involved increases.

Finally, it is important that the Coordinator compiles all contributions into a structured and descriptive strategic analysis, which – together with the carbon performance assessment – will be a very useful input to the design of a long-term vision, transition roadmap and, eventually, the new decarbonization strategy.

ACTION 2D – The training of the Board should take the form of a half-day or full-day training. It may be divided into two sessions. The major topics to be addressed during the training are: the general issue of global warming, the essentials on GHG accounting, transition scenarios and the objectives of the Paris Agreement (1), the potential impacts of

the transition scenarios (global warming + decarbonization) on the Company's overall business, the ACT framework and ACT-S. The results of the Company's carbon performance and strategic analyses carried out through actions 2A to 2C should also feed the training module with contextual/specific information. The training may be enhanced with additional inspirational topics, such as a benchmark on what the best-in-class companies do in terms of their decarbonization strategy. It may use material adapted from the official ACT-S training modules, as well as material found via the documentation and links proposed in the Sources Chapter of this methodology [7.1 & 7.2], including the ACT Initiative's website. It is also a good idea to not separate this training from the subsequent steps and actions – Step #3 may be carried out as a continuous process starting with the Board training. It will also be a good opportunity to make the training more participative and dynamic.

5.3.4. STEP #3 – VISION

AIM – Build a shared vision of the Company’s journey to a low-carbon world

SHORT DESCRIPTION – Based on the transformation of the Company’s current business model and activities, design what the Company would look like in a low-carbon world. Once the destination is set, map out the Company’s roadmap to this future model, identifying intermediate milestones. The Board, which is involved in these actions, formally endorses the vision and the associated roadmap.

INDICATIVE DURATION – 2 weeks to 1.5 months

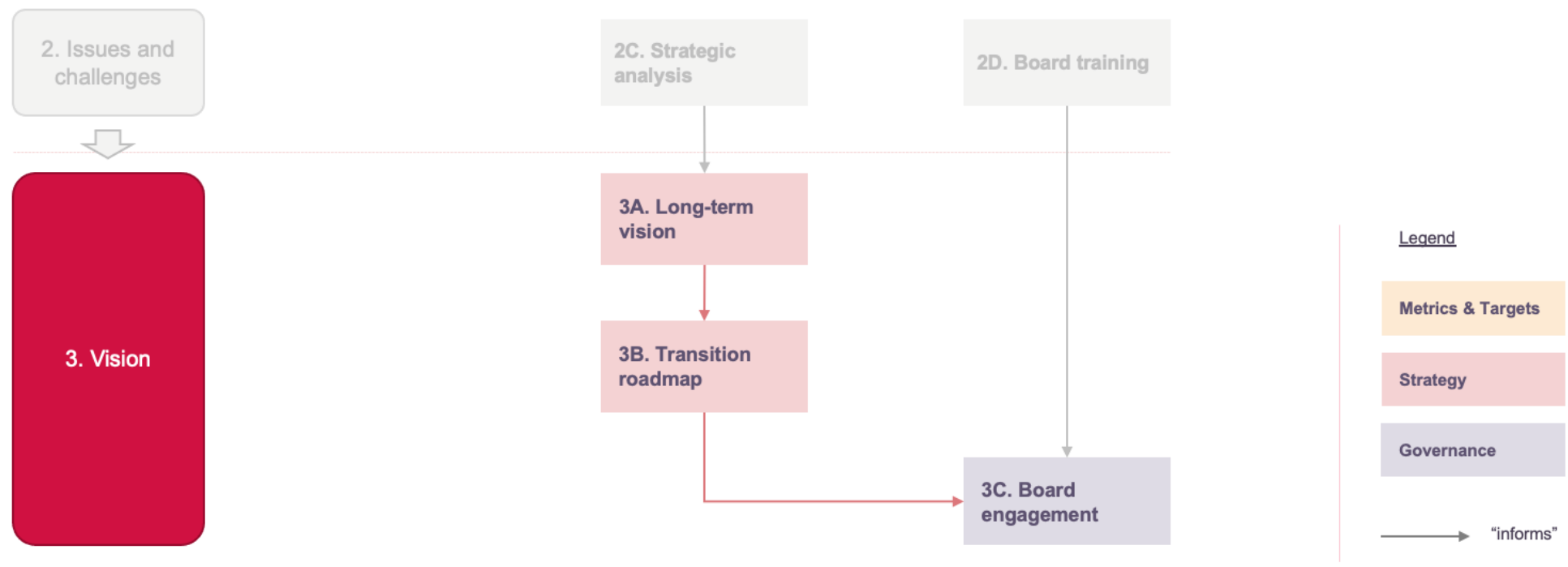


FIGURE 7: LOGICAL SEQUENCE OF ACTIONS WITHIN ACT-S STEP #3

STEP #3 ACTIONS	SHORT DESCRIPTION	ACTORS INVOLVED	PRACTICAL RESOURCES
3A. LONG-TERM VISION	Develops a vision of the Company in a low-carbon world. This considers the Company's current characteristics on the one hand, and the main parameters to cope with a low-carbon world (circular economy, marginalization of fossil fuels, etc.) on the other hand.	Board (inc. Sponsor) Coordinator (+ Advisor) (+Team members) (+ Stakeholders)	Strategy Toolbox – Catalogue of Creativity Techniques – (13)
3B. TRANSITION ROADMAP	Identifies intermediate milestones for the Company between today and reaching the low-carbon world. The Company's transformation is described step by step in a qualitative way by intervals of three to five years for the next 20-30 years.	Board (inc. Sponsor) Coordinator (+ Advisor) (+ Team members) (+ Stakeholders)	Strategy Toolbox – Vision & Roadmap – (10)
3C. BOARD ENGAGEMENT	The Board signs off a formal document in which it engages the Company in the roadmap towards the long-term vision.	Board (inc. Sponsor) Coordinator (+ Advisor)	Progress Grid – Template of Board commitment letter

PROPOSALS FOR IMPLEMENTATION

ACTION 3A – This step consists of mapping out a long-term vision for the future (by 2050) of the Company in a low-carbon economy. Defining an ambitious vision is central to achieving the goal of limiting global warming and preventing some of the worst impacts of climate change while remaining competitive in a low-carbon market. To reach this level of analysis it takes teamwork and collective thinking: Board (inc. Sponsor), Coordinator (+ Advisor) and other Team members and Stakeholders will all play a vital role in this step. Once the group of participants is defined, using creativity techniques should help outline the long-term vision. Creativity techniques are brainstorming tools to facilitate idea generation (creativity), group dialogue and decision-making to convert those ideas into reality: the vision for 2050 should be ambitious but realistic at the same time.

Although the long-term vision will not need a very detailed description of the Company at that time, the ACT modules may support the creativity through the screening of all the future climate-related business strategy aspects.

Fast-track option – Only the Board involved

The group work may involve only the Board (inc. Sponsor) and the Coordinator (+ Advisor). Simple and less time-consuming techniques may be preferable.

Extended option – Participation beyond the Board

The group work may involve additional contributors such as Team members and Stakeholders, who may bring a deeper and more comprehensive analysis. In this configuration with more contributors, a workshop structured with more advanced creativity techniques and potentially involving an external facilitator(s), may be organized.

ACTION 3B – The transition roadmap translates a long-term vision into specific milestones that the Company needs to meet in the near and medium term to ensure it reaches its ambition for 2050. Actions 3A and 3B are presented in the process map in a sequential way in order to emphasize the fact that the road can be designed only after the destination has been set. However, the Company may use the same workshop organized for the previous step to lay out the qualitative pathway for achieving the 2050 vision. At least a short-term vision (+5 years) and an intermediate vision (+10 years) should be defined. In any case, the short-term and intermediate periods of the transition roadmap need to be compatible with the Company's overall strategy over the same periods of time: in essence, it should become one pillar of the Company's overall strategic axes over these periods.

ACTION 3C – The Board engagement takes the form of a formal document through which the Board states that it engages the Company in the roadmap towards the long-term vision. The document can be produced as part of the commitment letter using the template that is embedded in the Progress Grid spreadsheet.

5.3.5. STEP #4 – NEW STRATEGY

AIM – Commit to a detailed strategic decarbonization plan, including quantitative carbon performance targets

SHORT DESCRIPTION – The first period of the transition roadmap is translated into new strategic objectives, orientations and policies, which potentially cover the nine ACT modules. This includes setting short-term, intermediate and long-term carbon performance targets which should be low-carbon aligned and complete the transition roadmap with a quantitative approach. The Board, which is involved in this strategic design, commits to the strategic plan and associated carbon performance targets.

INDICATIVE DURATION – 1 to 3 months

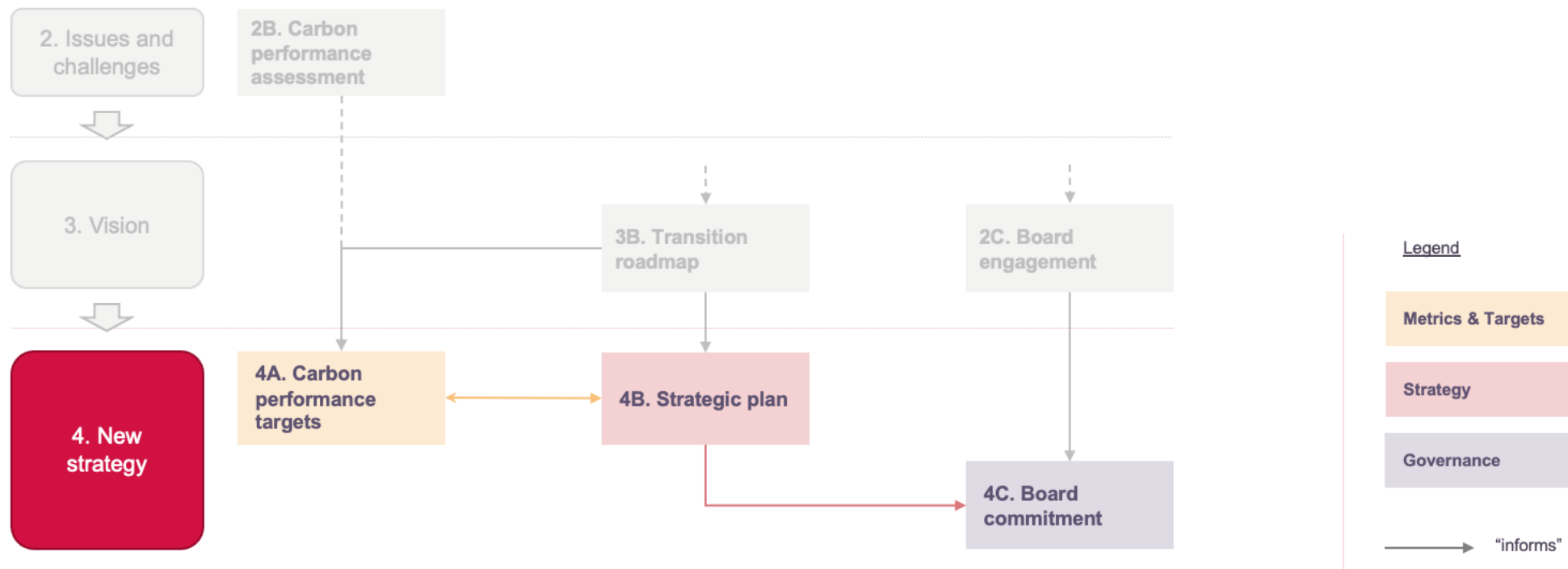


FIGURE 8: LOGICAL SEQUENCE OF ACTIONS WITHIN ACT-S STEP #4

STEP #4 ACTIONS	SHORT DESCRIPTION	ACTORS INVOLVED	PRACTICAL RESOURCES
4A. CARBON PERFORMANCE TARGETS	Sets carbon performance targets for the Company's carbon performance metrics based on the applicable benchmark pathways and considering the transition roadmap as well as the strategic objectives in development.	Coordinator (+ Advisor) Sponsor Team members	Carbon performance tool – (9)
4B. STRATEGIC PLAN	Converts the first period of the transition roadmap into detailed new strategic objectives, orientations and policies. This should involve a diversity of strategic actors within the Company and the main functions should be represented. The overall ambition of the strategic plan should be consistent with the short-term carbon performance targets developed in parallel.	Coordinator (+ Advisor) Sponsor Team members (+Board) (+Resource persons)	Strategy Toolbox – “Blue Ocean” Strategy Design Method – (10)
4C. BOARD COMMITMENT	The Board signs off a formal document in which the Company commits to the strategic plan and associated carbon performance objectives.	Board (inc. Sponsor) Coordinator (+ Advisor)	Progress Grid – Template of Board commitment letter

PROPOSALS FOR IMPLEMENTATION

The qualitative scenario defined through actions 3A and 3B should serve as a reference for the strategic plan: of course, the carbon performance targets (Action 4A) should be in line with the long-term vision and the transition roadmap; and the strategic orientations and objectives defined in the new decarbonization strategy (Action 4B) should consist of converting the first period of the transition roadmap into a more descriptive and detailed plan.

ACTION 4A – The carbon performance targets should cover the long-term as well as intermediate milestones; they should also cover the Company's direct as well as significant indirect GHG emissions. The ambition of the targets should be aligned with the low-carbon transition, which means the ambition should be 2°-aligned or more ambitious. The applicable ACT Sector methodology (7) will provide more details on the expected characteristics of these targets through the description of the Module 1 performance indicators. The Science-Based Targets (14) are another relevant standard for the setting of the carbon performance targets. Even though this action is very technical and will require adequate calculations, the setting of relevant carbon performance targets should also be carried out in close relation with the design of the strategic plan: the two are highly imbricated and should be consistent. Mutually aligning the carbon performance targets with the content of the strategic plan will be a major challenge in this step, and will need continuous improvement as the Company's maturity and experience on the subject increases over time. Potential carbon performance targets – based on the benchmarks

applicable to the Company – should be proposed to feed the work on the strategic plan (Action 4B), but they should be validated only after the alignment between them and the validated strategic plan has been considered and – ideally – confirmed.

ACTION 4B – With a clear understanding of the relevant sources of emissions and the opportunities and risks linked to the low-carbon transition, and with a transition roadmap for the Company defined based on them, the Company is ready for the strategic decarbonization plan. The plan consists of defining qualitative orientations, objectives and policies which together detail the first period of the transition roadmap and will contribute to the achievement of the associated carbon performance targets. It aims to become an additional dimension in the Company's overall strategy. Therefore, it should complement, and may also modify, aspects of the existing overall strategy. The design of the strategic plan should systematically consider all modules of the ACT assessment (This is reflected in the set of guiding questions applicable at that stage, including for the minimal route) and, for each of them, the interactions of the subject with the Company's existing overall strategy. Because the strategy and the strategic process are extremely diverse in companies, there is no way to formalize the form these interactions should take in more detail. However, Table 9 proposes a relevant insight into the functions (which may also be seen as potential strategic pillars) of the Company which may be impacted by the respective ACT modules (which may also be seen as the potential axes of the decarbonization strategy). The definition of the orientations, objectives and policies associated with the plan may use the Blue Ocean method proposed as part of the Strategy Toolbox.

Fast-track option – Applicable to small/less mature companies

A compact approach will consist of a unique workgroup being involved in the design of the strategic plan. This workgroup should include the Board, as it will have to make high-level decisions which involve the overall strategy. Including Team members is also recommended, as they will be able to contribute with some specific (functional) expertise, and operational, down-to-earth feedback. One event will in general not be sufficient to design a comprehensive decarbonization strategy and consider all the implications and interactions with the Company's overall strategy. A series of two or three workshops, with some analysis work and additional consultations carried out in between each one, may be more productive.

Extended option – Applicable to large/more mature companies

An extended option to organize the work on the decarbonization strategy consists of spreading the work into thematic workgroups, initially based on a shared vision of the expectations for the decarbonization strategy (first workshop) and a final consolidation of the propositions raised (final workshop). Intermediate thematic workshops will then be used for propositions to emerge, be collectively assessed and potentially refined. The decomposition into themes will depend on the Company's profile.

ACTION 4C – The Board commitment takes the form of a formal document through which the Board states that it commits to the strategic plan and associated carbon performance objectives. The document can be produced as part of the commitment letter using the template that is embedded in the Progress Grid spreadsheet.

5.3.6. STEP #5 – ACTION PLAN

AIM – Convert the detailed strategic plan into concrete action

SHORT DESCRIPTION – Initially identify all the concrete actions that may potentially contribute to the implementation of the strategic plan, then proceed with the selection of the adequate set of actions in order to efficiently and effectively implement the strategy the Company has committed to and achieve the associated short-term carbon performance targets. Proceed with the implementation and monitoring of the action plan, which will enter a continuous improvement process.

INDICATIVE DURATION – 4 months to 1 year until action plan launch



FIGURE 9: LOGICAL SEQUENCE OF ACTIONS WITHIN ACT-S STEP #5

STEP #5 ACTIONS	SHORT DESCRIPTION	ACTORS INVOLVED	PRACTICAL RESOURCES
5A. DEFINITION	Identifies all the concrete actions that may contribute to implementing the strategic plan. The actions are characterized in terms of objective, feasibility, resource costs, benefits and schedule. Selects the actions to include in the plan.	Coordinator (+ Advisor) Team members Resource persons (+ All employees) (+ Stakeholders)	Strategy Toolbox – Action plan manager – (10)
5B. IMPLEMENTATION	Implements the actions as defined in the action plan.	All employees (+ Stakeholders)	N/A
5C. MONITORING	Monitors the progress and the results of the action in order to inform a continuous improvement process of the action plan.	Coordinator (+ Advisor) Team members	<i>Company-specific dashboard to be developed specifically for the project</i>

PROPOSALS FOR IMPLEMENTATION

Formulating the decarbonization strategy during Step #4 created the framework for the action plan. The strategic pillars are the foundations of the strategic decarbonization plan, they serve as guidance for the actions to reach the targets set and they hold up the vision. The action plan will translate these pillars into concrete initiatives and measures.

ACTION 5A – For each strategic pillar, the Company will aim to systematically identify the potential changes in the activity or new initiatives, offers, solutions that may be implemented. During this action, the objective is to open the opportunity for any action to emerge from anywhere within – and potentially outside of – the Company, and this will potentially involve everyone within the Company. Stakeholders may also be contributors, through suggestions they will make and/or opportunities for creating partnerships. There are multiple ways for a Company to generate actions based on a strategic plan. They are not specific to decarbonization, thus they will not be described here. The identification of an action should be followed with adequate characterization in order to prepare the selection. The characterization should consider standard criteria including feasibility, necessary resources, schedule and benefits. The objective of the action should also be clearly defined. In the case of climate action, the action should be "ClimATE-SMART", meaning it is SMART [See Definitions - Section 8.2] and makes sense in the context of the decarbonization strategy. This will be the case if a positive answer can be given to at least one of the following questions:

- ◆ Clim = Climate impact: Will the action lead to a low, medium, or high reduction in GHG emissions?
- ◆ A = Acceptable: Is the behavioral change required by the action acceptable for the target Stakeholders?

- ◆ T = Transformative: Will the action produce some type of business transformation?
- ◆ E = Engaging: Will this action favor the engagement of the target Stakeholders?

The selection of actions for the action plan is a more centralized task which should essentially involve Team members around the Coordinator and Sponsor. Beyond standard selection criteria based on the characteristics outlined above, the actions should be selected based on their ability to effectively implement the strategic plan – to implement the policies adopted and the orientations taken, and to effectively achieve the strategic objectives, including the short-term carbon performance targets. Once the set of actions has been selected, the characterization of each action should be sufficiently detailed in order to prepare for implementation, and relevant monitoring indicators should be defined to prepare for monitoring.

Depending on the context, the resulting action plan may be integrated into one or several broader and/or pre-existing continuous improvement process(es). In general, this will be favorable as it will ensure that the decarbonization strategy benefits from the dynamics of this/these initiative(s).

ACTION 5B – All employees in the Company are potentially involved in the implementation of the action plan. Stakeholders – suppliers, clients, local authorities, etc. – are also potential actors of implementation. The diversity of forms implementation can take is infinite, and it is standard practice for companies, therefore it is not described here.

ACTION 5C – Monitoring the progress and the effects of the action plan will in general be the responsibility of the Coordinator, supported by Team members. The monitoring of the action plan will inform a continuous improvement process of the action plan, with the objective of maximizing its effects in terms of implementing the decarbonization strategy. Like implementation, monitoring an action plan is standard practice for companies and will not be described here. The specificity of a climate action plan is that some relevant monitoring indicators will be related to carbon performance, the degree of Stakeholder engagement on climate issues or transformative aspects related to decarbonization (management, business models, research & development, etc.). Of course, some of these indicators may be directly inspired by existing ACT-A indicators.

The operational continuous improvement process should still be up and running when the Company iterates the ACT-S process in order to update and improve its decarbonization strategy, thus applying the continuous improvement approach to the strategic process itself.

6. Progress recognition

6.1. GOALS

The ACT-S progress recognition system rewards the Company by showcasing its efforts to progress throughout the process. The primary goal is to maximize the attractiveness of ACT-S for companies in order to get as many of them as possible to first engage in and then make their way through the whole process.

Similarly, the system is meant to be the basis for the development and animation of a community of identified ACT-S users, within which benchmarking, pinpointing of best-practices and feedback and experience sharing will be very valuable to the success of decarbonization strategies.

Through the requisites at various checkpoints throughout the process, the progress recognition system will also contribute to the Company making an adequate – and therefore fruitful – use of ACT-S.

Lastly, a more general goal of the progress recognition system is to broadly promote climate action among companies and beyond.

6.2. GENERAL RECOGNITION PROCESS

The general process relies on the principle that the ACT Initiative validates checkpoints passed by the Company throughout the process. The validation of a checkpoint is the result of a successful check by the ACT Initiative that the Company has fulfilled the requisites for each respective checkpoint.

Upon checkpoint validation, the ACT Initiative publicly recognizes that the Company has reached the next progress level, and the Company is authorized to communicate accordingly.

There are three checkpoints throughout the process, which give access to three respective progress levels:

- ◆ Checkpoint #1 – Engagement in the process unlocks the “Engaged” progress level
- ◆ Checkpoint #2 – Commitment to the new decarbonization strategy unlocks the “Committed” progress level
- ◆ Checkpoint #3 – Launch of the action plan dedicated to the implementation of the decarbonization strategy unlocks the “Taking action” progress level

The progress pace of the Company is framed by the recognition system in order to ensure that the dynamics of the ACT-S process remains effective:

- ◆ The Company shall not remain “Engaged” for more than 12 months;
- ◆ The Company shall not remain “Committed” for more than 12 months either;
- ◆ And the Company recognition shall take an end a maximum of 3 years after the Company has been recognized as “Engaged”.

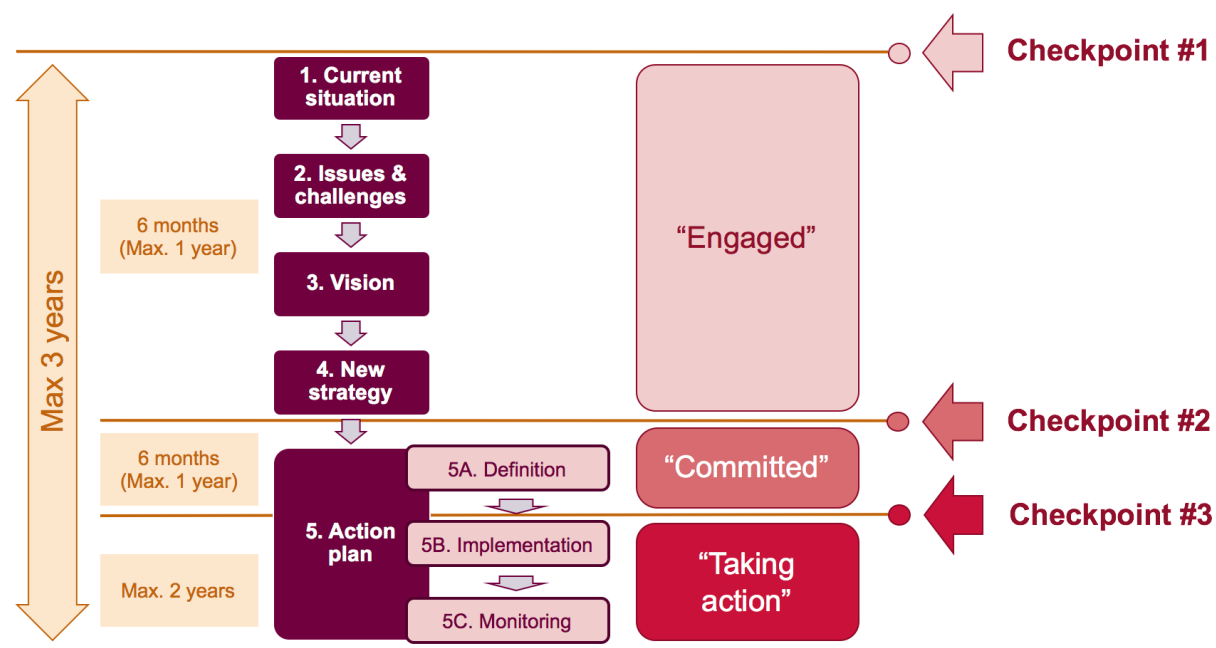


FIGURE 10: SCHEME OF THE ACT-S RECOGNITION SYSTEM

6.3. BENEFITS FOR THE COMPANY

The ACT Initiative rewards any recognized Company in at least 3 ways:

- ◆ It shall include the Company in the public list of companies recognized under the ACT-S system. The list is on the ACT Initiative website;
- ◆ The Company will be authorized to communicate on the subject by itself. The ACT Initiative shall provide the Company with the adequate communication package and associated rules;
- ◆ The Company shall be part of the community of ACT-S users; it will therefore benefit from events and resources available to members of the community and potentially from additional peer-to-peer contacts.

6.4. REQUISITES

Requisites are applicable for the validation of each checkpoint. It is the responsibility of the ACT Initiative to list and describe the evidence requested in order for the Company to demonstrate that it has fulfilled the requisites. It is the Company's responsibility to provide the ACT Initiative with the requested evidence.

6.4.1. CHECKPOINT #1

Checkpoint #1 will validate the official engagement of the Company in the ACT-S process, therefore the corresponding requisites are in fact prerequisites to ACT-S.

The prerequisites are the following:

- ◆ The Board has clearly expressed the willingness to engage in the ACT-S project
- ◆ At least one Board member has been appointed as ACT-S project sponsor
- ◆ An employee of the Company has been appointed as ACT-S project coordinator
- ◆ The project coordinator has taken and validated the ACT-S Coordinator training program
- ◆ The Company has carried out at least one organizational GHG inventory in the past two years

The corresponding evidence shall include an official engagement letter signed by the Board. A template of such a letter is provided in the ACT-S progress grid.

Additional recommendations for a Company to engage in the ACT-S process are:

- ◆ The Board and more specifically the project sponsor have been informed about the general context of climate change and associated impacts
- ◆ The project coordinator has also received training on GHG accounting
- ◆ Other employees who will be Team members have taken and validated an ACT-S training program

6.4.2. CHECKPOINT #2

The requisites applicable for Checkpoint #2 are the following:

- ◆ The Company has carried out all 12 actions described in the ACT-S process map from the start of the process to the end of Step #4
- ◆ More specifically, the Board has officially committed to a new decarbonization strategy, including carbon performance targets

The corresponding evidence shall include an official commitment letter signed by the Board. A template of such a letter is provided in the ACT-S progress grid.

6.4.3. CHECKPOINT #3

The requisites applicable for Checkpoint #3 are the following:

- ◆ The Company has defined an action plan which is dedicated to operationalizing the new decarbonization strategy
- ◆ The Board has officially launched the implementation of the action plan

The corresponding evidence shall include an official action plan launch statement signed by the Board. A template of such a letter is provided in the ACT-S progress grid.

7. Sources

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2. "Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change". Edenhofer, O., R. Pichs-Madruga, Y. Sokona, E. Farahani, S. Kadner, K. Seyboth, A. Adler, I. Baum, S. Brunner, P. Eickemeier, B. Kriemann, J. Savolainen, S. Schlömer, C. von Stechow, T. Zwickel and J.C. Minx (eds.), IPCC. s.l. : Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, 2014.
3. "Out of the Crisis", W. Edwards Deming, MIT Center for Advanced Engineering Study, 1986.
4. "The New Economics", W. Edwards Deming, MIT Center for Advanced Engineering Study, 1994.
5. "Recommendations of the Task Force on Climate-related Financial Disclosures – Final report", Task Force on Climate-related Financial Disclosures, 2017.
6. "ACT Framework - Version 1.1", ACT Initiative, 2018.
7. "ACT Guidelines for the development of sector methodologies - Version 1.0", ACT Initiative, 2018.
8. Blue Ocean Strategy: <https://www.blueoceanstrategy.com/what-is-blue-ocean-strategy/>.
9. "ACT Step-by-Step: ACT Step-by-Step: Carbon Performance Tool User Guide", ACT Initiative, 2021.
10. "ACT Step-by-Step: Strategy Toolbox User Guide", ACT Initiative, 2021.
11. "Low-carbon research and innovation - Building a low-carbon, climate-resilient future", DG for Research and Innovation of the European Commission, 2017.
12. "Scenario analysis of the issues of the low-carbon transition", Charlotte Vailles, Romain Hubert and Aurore Colin, I4CE, 2020.
13. "ACT Step-by-Step: Catalogue of creativity techniques", ACT Initiative, 2021.
14. SBTi resource center: <https://sciencebasedtargets.org/resources/?p=resources>.
15. "ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals", International Organization for Standardization, 2018.
16. "EU taxonomy for sustainable activities", European Commission, 2020.
17. "ACT Step by step: prefiguration study – Final report", ACT Initiative, 2020.

7.2. OTHER USEFUL LINKS

STEP #2 – ISSUES & CHALLENGES

DISCOVERY-LEVEL RESOURCES

- ◆ “Major risk or rosy opportunity: are companies ready for climate change?”, CDP, 2019:
<https://www.cdp.net/en/research/global-reports/global-climate-change-report-2018/climate-report-risks-and-opportunities>
- ◆ “The Global Risks Report 2020”, World Economic Forum, 2020:
http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf

EXPERT-LEVEL RESOURCES

- ◆ Global Risk Data Platform website, United Nations Environment Programme (UNEP) GRID-Geneva and United Nations Office for Disaster Risk Reduction (UNISDR):
<https://preview.grid.unep.ch/index.php?preview=home&lang=eng>
- ◆ “Climate-Related Risks, Opportunities, and Financial Impacts”, Task Force on Climate-related Financial Disclosures (TCFD), 2017:
<https://www.tcfhub.org/Downloads/pdfs/E06%20-%20Climate%20related%20risks%20and%20opportunities.pdf>

STEP #3 – VISION

DISCOVERY-LEVEL RESOURCES

- ◆ SBTi resource center: <https://sciencebasedtargets.org/resources/?p=resources>
- ◆ SBTi infographic on preparing a business for a low-carbon economy:
https://sciencebasedtargets.org/resources/legacy/2017/09/SBT_ZCard_DigitalVersion.pdf
- ◆ Energy Technology Perspectives reports of the International Energy Agency:
<https://www.iea.org/topics/energy-technology-perspectives>
- ◆ The path to a low-carbon future (Grantham Institute, Imperial College London):
<http://www.imperial.ac.uk/grantham/research/energy-and-low-carbon-futures/the-path-to-a-low-carbon-future/>
- ◆ Encyclopedia of the Environment website: <https://www.encyclopedie-environnement.org/en/rubrique/climate/>
- ◆ Future greenhouse gas emissions, Our World in Data website: <https://ourworldindata.org/future-emissions>
- ◆ “COVID-19 and the low-carbon transition: Impacts and possible policy responses”, OECD, 2020:
<http://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-low-carbon-transition-impacts-and-possible-policy-responses-749738fc/>
- ◆ “Driving Low-Carbon Growth Through Business and Investor Action”, The New Climate Economy, 2016:
https://newclimateeconomy.report/workingpapers/wp-content/uploads/sites/5/2016/11/NCE_Business_and_Investor_Action.pdf
- ◆ “Emissions Gap Report 2020”, UN Environment Programme (UNEP), 2020 :
<https://www.unenvironment.org/interactive/emissions-gap-report/2020/>

- ◆ “Going climate-neutral by 2050”, Publications Office of the European Union, 2019:
<https://op.europa.eu/s/oFne>

EXPERT-LEVEL RESOURCES

- ◆ Carbon Brief website: <https://www.carbonbrief.org/>
- ◆ Climate Portal, MIT website: <https://climate.mit.edu/#>
- ◆ Climate Tipping Points website: <https://climatetippingpoints.info/>
- ◆ Global Climate change, NASA website: <https://climate.nasa.gov/>
- ◆ IPCC Publications website: <https://www.ipcc.ch/languages-2/english/>
- ◆ 6th assessment report page of the IPCC website: <https://www.ipcc.ch/assessment-report/ar6/>
- ◆ The path to a low-carbon future, Grantham Institute, Imperial College London website:
<http://www.imperial.ac.uk/grantham/research/energy-and-low-carbon-futures/the-path-to-a-low-carbon-future/>
- ◆ 2050 long-term strategy, Climate Strategy and targets documents, European Union website:
https://ec.europa.eu/clima/policies/strategies/2050_en#tab-0-1
- ◆ “Energy-climate scenarios: evaluation and guidance”, The Shift Project and AFEP, 2019:
<https://theshiftproject.org/en/article/energy-climate-scenarios-evaluation-guidance-report/>
- ◆ “Global Renewables Outlook: Energy transformation 2050”, International Renewable Energy Agency, 2020:
<https://www.irena.org/publications/2020/Apr/Global-Renewables-Outlook-2020>
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<https://ipbes.net/assessment-reports/scenarios>
- ◆ “Scenario analysis of the issues of the low-carbon transition”, Institute for Climate Economics (I4CE), 2020:
<https://www.i4ce.org/wp-core/wp-content/uploads/2020/04/Scenario-analysis-VA.pdf>

OTHER RESOURCES IN FRENCH

- ◆ Stratégie Nationale Bas Carbone (SNBC), site du Ministère de la Transition Écologique :
<https://www.ecologie.gouv.fr/politiques/climat>
- ◆ « Actualisation du scénario énergie-climat ADEME 2035-2050 », ADEME, 2017 :
https://www.ademe.fr/sites/default/files/assets/documents/ademe_visions2035-50_010305.pdf
- ◆ « Chiffres clés du climat France, Europe et Monde », Ministère de la Transition Écologique, 2021 :
<https://www.statistiques.developpement-durable.gouv.fr/edition-numerique/chiffres-cles-du-climat/avant-propos>
- ◆ « Socle d'information initial à destination des membres de la Convention », Convention Citoyenne pour le Climat, 2019 : <https://www.conventioncitoyennepourleclimat.fr/wp-content/uploads/2019/10/03102019-convcit-socledoc-web.pdf>
- ◆ « Visions énergie-climat 2030-2050 – Quels modes de vie pour demain ? », ADEME, 2014 :
<https://www.ademe.fr/visions-energie-climat-20302050-modes-vie-demain>

DISCOVERY-LEVEL RESOURCES

- ♦ ACT Initiative's resource center: <https://actinitiative.org/resources-2/>
- ♦ ADEME's resource center on GHG accounting and climate strategies (in French): <https://www.bilans-ges.ademe.fr/>
- ♦ CDP guidance and questionnaires: <https://www.cdp.net/en/guidance>
- ♦ Table of solutions, Project Draw Down website: <https://www.drawdown.org/solutions/table-of-solutions>
- ♦ "Best practices in scope 3 greenhouse gas management", Science Based Targets, 2018:
https://sciencebasedtargets.org/resources/files/SBT_Value_Chain_Report-1.pdf
- ♦ Blue Ocean Strategy: <https://www.blueoceanstrategy.com/what-is-blue-ocean-strategy/>

EXPERT-LEVEL RESOURCES

- ♦ Climate Action Pathways website, United Nations Framework Convention on Climate Change (UNFCCC):
https://unfccc.int/climate-action/marrakech-partnership/reporting-and-tracking/climate_action_pathways
- ♦ Global Climate Action website, United Nations Framework Convention on Climate Change (UNFCCC):
<https://climateaction.unfccc.int/>

OTHER RESOURCES IN FRENCH

- ♦ Élaborer son plan d'actions, site de l'ADEME : https://www.bilans-ges.ademe.fr/fr/accueil/contenu/index/page/plan_d_actions/siGras/0

8. Glossary

8.1. ACRONYMS

ACT	Assessing low-Carbon Transition
ACT-S	ACT Step-by-Step
ACT-A	ACT Assessment
CLIMATE-SMART	Climate impact, Acceptable, Transformative, Engaging, and SMART
EU	European Union
GHG	GreenHouse Gas
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
PDCA	Plan-Do-Check-Act
SBT	Science-Based Targets
SBTI	Science-Based Targets Initiative
SMART	Specific, Measurable, Achievable, Relevant, Time bound (also see definition)
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCFD	Task force on Climate-related Financial Disclosures

8.2. DEFINITIONS

ACT

Refers to the general ACT methodologic approach

ACT CRITERIA

Specific aspect of the Company's decarbonization strategy which is taken into account in ACT. It takes the form of an ACT indicator in ACT-A and one or more guiding questions in ACT-S. There are two kinds of ACT criteria: performance criteria and narrative criteria (see respective definitions).

ACT MODULE

Thematic pillar of the decarbonization strategy according to the ACT Framework. The Company's decarbonization strategy is composed of nine modules, and each module is composed of ACT performance criteria. See Table 2 for the list and a classification of the modules.

ACT NARRATIVE CRITERIA

ACT criteria which together summarize the analysis of the Company's decarbonization strategy from a deliberately subjective point of view. In ACT-S, the narrative criteria should be used as safeguards throughout the process in order to check if the Company's progress is relevant with respect to these perspectives, which complement the performance criteria. There are 4 narrative criteria in ACT: business model & strategy, consistency & credibility, reputation, risk. They are described in detail in the ACT Framework.

ACT PERFORMANCE CRITERIA

ACT criteria which together provide a detailed analysis of the Company's decarbonization strategy in an objective way. The ACT performance criteria compose – and are classified under - the 9 ACT modules.

ACT-A

Refers to the ACT methodologies and tools dedicated to ACT assessments

ACT-A INDICATOR

Each ACT criteria is implemented in ACT-A in the form of an ACT indicator, which allows the assessment of the Company with regards to the corresponding criteria. A specific scoring scale is associated with each indicator. The indicator may be quantitative or qualitative depending on the type of data the Company needs to input. When the indicator is qualitative, the scoring scale generally takes the form of a maturity matrix.

ACT-S

Refers to the ACT methodologies and tools dedicated to ACT Step-by-Step.

ACT-S ACTION

The ACT-S actions are the main activities that the Company should undertake during each ACT step. In some cases, the action name corresponds to the expected outcome of the action (e.g. "Carbon performance metrics" consists of identifying the relevant carbon performance metrics for the Company). See Table 3 for a description of each individual ACT-S action.

ACT-S PROCESS MAP

The ACT actions are organized and displayed on a two-dimensional map according to their strategic level and process step: this is the ACT-S process map. It describes the structuration, preparation and implementation process of the Company's decarbonization strategy according to ACT. See the ACT-S process map in Section [4.2.3].

ACT-S QUESTION

The ACT-S questions interrogate the Company on their degree of progress towards a mature and low-carbon aligned decarbonization strategy. A maturity matrix is associated to each question, which allows the Company to understand where it stands compared to a low-carbon aligned state. Each ACT criteria is implemented in ACT-S in the form of one or more ACT question(s), which explore(s) the Company's maturity with regards to the corresponding criteria throughout the ACT-S process. There are 3 types of ACT-S questions in total:

- ◆ the performance questions, which correspond to performance criteria (from one to three questions per criteria) and are systematically answered a first time during the initial diagnosis based on the initial situation, and a second time later in the process to monitor the Company's progress within the process compared to the initial situation;
- ◆ the narrative questions, which correspond to the narrative criteria (one question per criteria) and should be monitored on a regular basis throughout the process to make sure the Company's position with respect to these criteria does not deteriorate, and ideally improves;
- ◆ the process questions, which do not correspond to any ACT criteria, but correspond to the execution of actions that are expected in the course of the ACT-S process and may be accomplished with varying levels of ambition, completeness, and therefore with different levels of benefits.

The performance questions and process questions compose the "set of guiding questions" for the ACT-S process applicable to the Company.

ACT-S ROUTE

The route defines the extent of the set of guiding questions that the Company will use to monitor its progress throughout the process. Depending on its specific context and objectives, it may decide to use the minimal route, the compact route or the extensive route. See Section [4.3.3] for a short description of each route.

ACT-S STEP

The ACT-S process is composed of five sequential steps; each step is composed of two to four actions, which may be sequential or not. Steps #2 to #5 rely on the information gathered and use the results of analyses carried out during previous steps, while Step #1 consists of a diagnosis through which the Company understands where it stands initially in terms of implementing a mature and low-carbon aligned decarbonization strategy. See Table 3 for a short description of each individual step.

ACT-S STRATEGIC LEVEL

The ACT-S actions are diverse by nature. In order to characterize their roles with respect to the decarbonization strategy, a classification across four strategic levels (Governance, Strategy, Low-carbon transition management, Metrics & targets) was developed based on a similar classification which is used for the recommendations of the TCFD. See Section [4.2.2] for a description of each strategic level and Annex [9.2] for more details on the correspondence between the two classifications).

ADVISOR

The Company may decide to benefit from the support of a specialized consultant, who will be the Company's advisor throughout the ACT-S project [Advisor]. In order for a consultant to become an ACT-S Advisor for a Company, she/he must have proven eligibility to the ACT Initiative. To be eligible, a consultant must:

- ◆ Have taken and validated the ACT-S Advisor training program
- ◆ Have demonstrated competency and experience in GHG accounting

BOARD (BOARD MEMBER)

In many companies, the top executive management entity is a Board of directors, and the head of the Board is the Chief Executive Officer [CEO]. By extension, the top executive management of any Company is named “The Board” in ACT-S.

CARBON PERFORMANCE METRICS

In ACT, carbon performance metrics may be expressed in terms of GHG emissions intensity (e.g. “GHG emissions per ton of cement produced” is a carbon performance metrics commonly used for companies in the Cement sector, and is generally expressed in kgCO₂e/ton) or absolute GHG emissions.

CARBON PERFORMANCE TARGET

Quantitative objective based on carbon performance metrics which is relevant to qualify the Company’s carbon performance.

COORDINATOR

The Coordinator is responsible for coordinating and managing the ACT-S project.

DECARBONIZATION STRATEGY

The decarbonization strategy consolidates the components of the Company’s overall strategy which will enable the Company to reduce its direct and significant indirect GHG emissions across the whole value chain, and potentially beyond, while preserving – and ideally bettering – its profitability in the short-term, intermediate and long-term.

EMPLOYEE

In ACT-S, this category includes any individual who works for the Company on a daily basis and has an labor contract with the Company through which she or he is remunerated for this work.

GHG INVENTORY

Quantitative inventory of GHG emissions induced by the Company’s activity across the value chain. The GHG inventory includes direct emissions, which are physically issued from the Company’s organizational perimeter, and significant indirect emissions, which are generated upstream and downstream the value chain. The global reference framework for GHG inventories is the ISO 14064-1:2018 standard (15).

LOW-CARBON

Qualifies the ambition of contributing to climate change mitigation to a level that is in line with the objectives of the 2015 Paris Agreement, or with the future global political agreement(s) that may replace the Paris Agreement in the coming years. A decarbonization strategy, for example, is low-carbon (or “low-carbon aligned”) if the strategy objectives – which include the carbon performance targets – are up to this ambition level.

LOW-CARBON CLIENTS

Clients of the Company that exclusively operate in the value chains of low-carbon products and services.

LOW-CARBON PRODUCTS (OR SERVICES)

Products (or services) whose availability on the market contribute to enabling the low-carbon transition. For the sectors covered by the EU Green Taxonomy (16), the low-carbon products (or services) are the ones meeting the mitigation criteria of the EU Green Taxonomy. For the sectors not covered by the EU Green Taxonomy, original definitions of the low-carbon products (or services) may be introduced by the user, provided these definitions rely on robust justifications and/or proofs and use existing frameworks (e.g. life-cycle assessments, product-environmental footprint analyses, EU ecolabels, etc.).

RESOURCE PERSON

The Resource persons are the employees who – in addition to the Team members – will occasionally be involved for specific phases of the process.

SMART

This adjective characterizes an objective or a goal which is “specific” (simple, sensible, significant), “measurable” (meaningful, motivating), “achievable” (agreed, attainable), “relevant” (reasonable, realistic and resourced, results-based), “time bound” (time-based, time limited, time/cost limited, timely, time-sensitive).

SPONSOR

The Sponsor is responsible for the integration of the ACT-S process into the Company’s overall strategic process. The Sponsor is a member of the Board.

STAKEHOLDER

The Stakeholders are some representatives of the Company’s external stakeholders (suppliers, clients, local authorities, professional associations, etc.) who will occasionally be involved for specific phases of the process.

TEAM MEMBER

Depending on the size and organization of the Company, the project team should include a panel of employees who together represent the main functions/departments/business units in the Company: these employees are the Team members. They should be managers in their respective functions.

9. Annex

9.1. ADAPTING THE PDCA APPROACH FOR ACT-S

The adaptation of the continuous improvement approach, generally presented in the form of the Deming wheel (3) (4), for the decarbonization strategy of companies originally proposed, as per the figure below included only four steps.

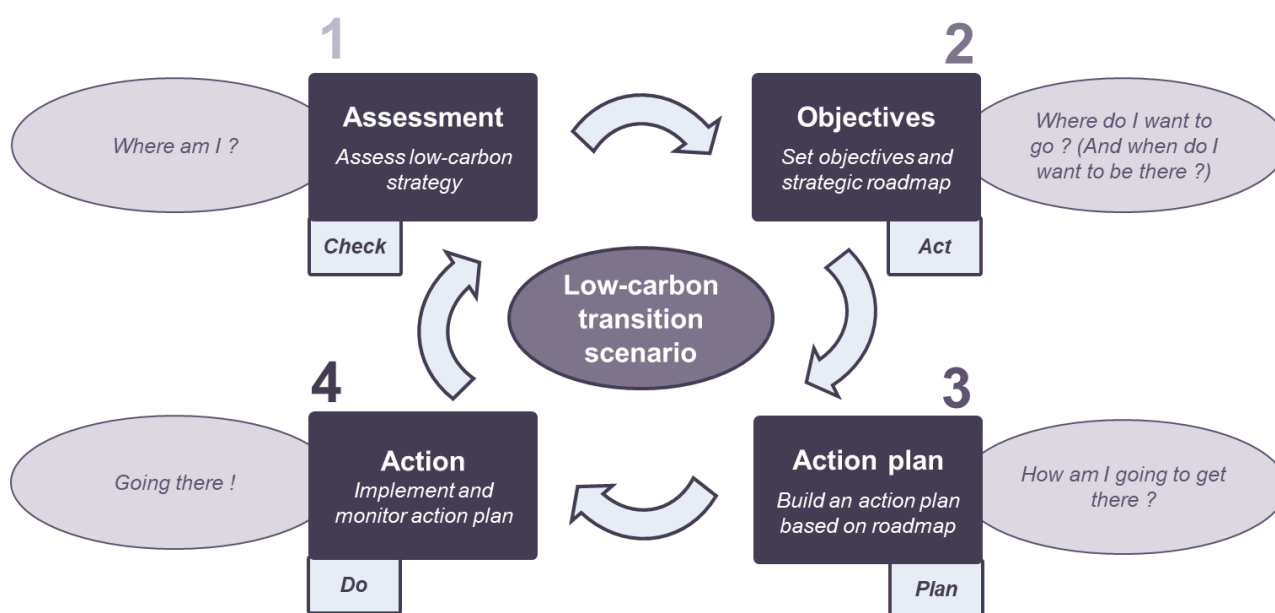


FIGURE 11: 4-STEP GENERIC CYCLE FOR A LOW-CARBON STRATEGY

The “Plan” and “Do” phases are straightforward and needed no further adaptation. On the contrary, the “Check” and “Act” phases include much complexity in the case of the decarbonization strategy.

By nature, the “Check” phase includes an analysis of the Company’s initial position in terms of the maturity of its decarbonization strategy, but it also includes an analysis of the context of climate transition and associated stakes that are specific to the Company. The latter should be used to design and decide how the Company’s existing decarbonization strategy, described with the former, may be improved.

The building of a new decarbonization strategy, the “Act” phase, may also be decomposed into two steps: first, the initial design of a general roadmap – which relates the short-term future with the long-term and ensures consistency between the strategy for the next three to five years with the expected destination in 15-30 years – and second, the more detailed definition of the strategy for the next three to five years.

Hence a new description of this strategic process was proposed (17).

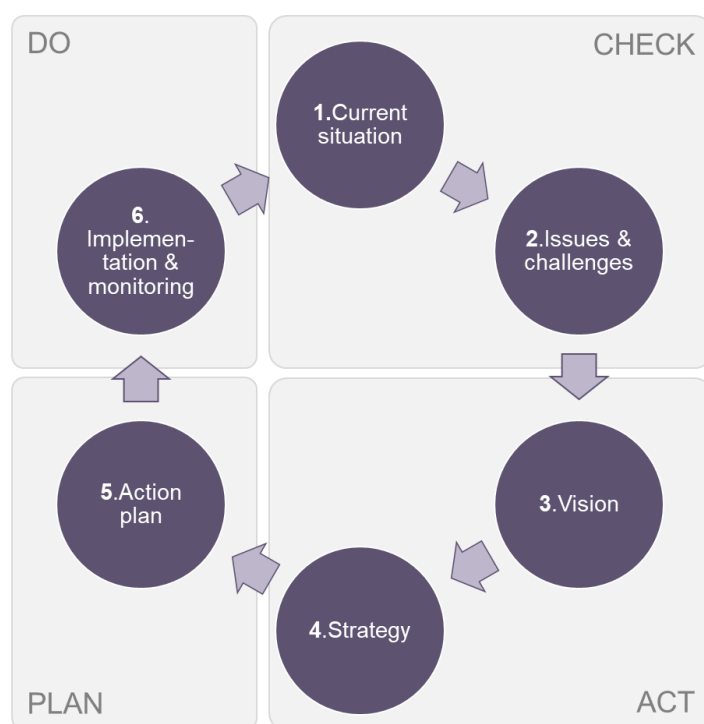


FIGURE 12: 6-STEP CYCLE FOR A LOW-CARBON STRATEGY AND THE CORRESPONDANCE WITH THE PLAN-DO-CHECK-ACT APPROACH

Steps #5 and #6 were eventually merged into only one step during the development of the ACT-S methodology, resulting in a total of 5 steps instead of 6 for the whole process.

9.2. FROM THE TCFD CLASSIFICATION TO THE ACT-S STRATEGIC LEVELS

When carrying out initial investigations with the development of the ACT-S methodology in mind (17), the complementarity between ACT and the TCFD recommendations was already clearly identified by the ACT Initiative: while the TCFD envisages climate action as the implementation of risk management, ACT envisages climate action as a societal responsibility for the Company and they converge to foster ambitious decarbonization strategies and transparent reporting.

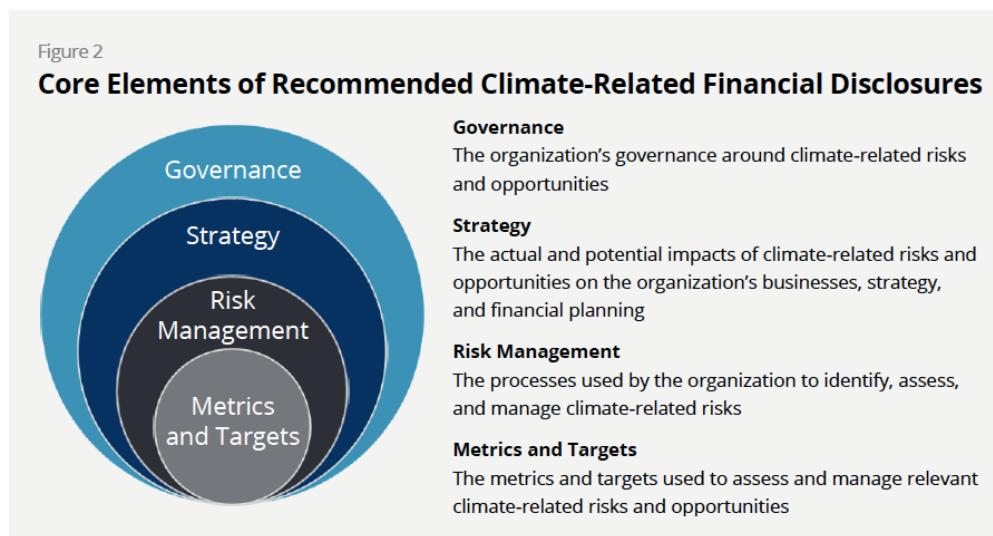


FIGURE 13: SCREENSHOT FROM THE TCFD REPORT: FIGURE 2 “CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES” (5)

The symmetry of the approaches led us to explore the possible adaptation of the classification of the TCFD recommendations into four strategic levels for ACT-S. A clear correspondence was easily found between the typology of actions recommended to businesses by the TCFD and the ones expected from a Company engaging in ACT-S.

As shown in the description of the ACT-S strategic levels presented in Section [4.2.2], a relevant classification for ACT-S was obtained with minor adaptations of the names and definitions.