



# Transition Plans: Consumer Goods and Retail

Sector-specific steps for transition planning



Given the critical importance of consumer-facing brands in the Consumer Goods & Retail (CGR) sector, businesses within the industry are facing pressure on setting ambitions, taking action and embedding accountability for climate transition plans

Not only can taking the lead on transition planning enhance your brand, but it can also highlight the resilience of your business as your potentially global customers and suppliers change their behaviours. Taking climate and wider ESG metrics into account can demonstrate a focus on long-term sustainable growth, giving shareholders, lenders and insurers confidence that your business is prepared to respond to the needs of both current and future consumers.

## Key challenges to consider

- 01** The level of maturity in transition planning and decarbonisation varies considerably across different consumer sectors and products. Depending on where your business is in the process (and the dynamics of the consumer sector you are in), you will face unique challenges in not only your strategy, but how you engage with your suppliers and where they are at in their own reporting maturity.
- 02** Addressing Scope 3 emissions will be particularly challenging given these are likely to come from a complex, global and multi-tier supply chain. Industry collaboration and partnerships will be increasingly essential to engage stakeholders at various levels and across different industries and identify comprehensive and collective strategies that tackle these emissions.
- 03** Creating disclosures which respond to regulatory reporting requirements is important, but critically you need to still provide a clear and understandable narrative for your customers, addressing the needs of both technical (e.g. sustainability investor groups and think-tanks) and non-technical (e.g. public end-customers) readers.

## Further considerations for your transition planning steps



### Step 1 Diagnose

- As your key stakeholder, starting out by engaging your end-customers in developing your ESG materiality assessment is critical and can be part of a wider communication campaign to show your commitment to taking action on your emissions and broader ESG topics.
- Your Scope 3 emissions include not only your suppliers but also how your customers are using your products throughout its lifecycle. Gaining a clear picture of this can also help you understand their demands better and where the market may be heading for your consumer sector.
- If you have a large number of physical locations for your organisation, such as shopping centres or hotels, calculating your embodied emissions will become mandatory in order to set a Science-Based Target. This will need close engagement with your suppliers and potential updates to your procurement practices.

### Step 2 Strategise

- For organisations with a large number of franchisees or third-party owners of the business, how you support these owners to roll-out levers will be critical to your success. This could be through mandatory standards, group procurement support, or assisting third-party owners to access cheaper finance either provided by you or a third-party lender.
- Decarbonisation levers and activities can bring additional customer touchpoints and engagement along the way, such as take-back schemes or community programs which can enhance your brand further.
- Designing and implementing global supplier engagement programmes for decarbonisation activities will facilitate stronger relationships across your value chain and attract high-quality suppliers whose values align to those of your own business – collaboration with a global supply network will be critical.

### Step 3 Transform

- For global brands, the ability to convert and flow group-level strategy into regional office accountabilities is critical to success, providing those teams with the necessary tools to facilitate change within their respective jurisdictions in line with the global strategy
- Your strategy will need collective buy-in from a number of parties including external communications, finance, procurement, corporate responsibility, and any customer-facing elements of the business. A robust governance structure for sign-off needs to underpin this.
- Developing and implementing your transition strategy will require clear internal and external engagement and communication plans and potentially require greater resourcing in areas of your business such as government relations or industry participation in order to fully realise the potential of your global brand influence.

### Step 4 Report

- Reporting on data from third-party owners can be challenging to do on a consistent basis, and may require new technologies and systems to ensure it can be done in an efficient and consolidated basis for group-level reporting.
- Also consider how to collect data from consumers over time to dynamically feed into your ESG materiality assessment and overall ESG strategy as a business, either at point-of-sale or through ongoing engagement channels.
- Your external communications team need to consider what metric disclosures balance the needs of investors and ESG rating agencies as well as satisfying what your customers are looking for, including green certifications and product-based emissions intensities.

# Integration with the Transition Plan Taskforce

KPMG’s four-step approach to transition planning, outlined in full in our talkbook *Transition Plans: Moving Beyond Disclosure*, is based off leading guidance from the Transition Plan Taskforce (TPT) and is designed to feed directly into developing a TPT-compliant strategy. This includes the Final Disclosure Framework which was released by the TPT in October 2023.

Our approach is designed to provide key insights and lay out actions which companies can take when preparing to disclose in line with the TPT framework, as well as line up with the TPT Transition Planning Cycle. Our sector-specific insights and challenges are also intended to fit alongside the TPT’s Sector Guidance launched in November 2023, providing companies in those sectors with KPMG’s views on particular focus areas as you prepare your transition plan in line with the new guidance.

For more information, get in contact with the team at KPMG and learn more about how we can help you develop a transition plan and prepare your business for success in a changing climate.

## TPT transition planning cycle

**01**  
Re-assess

**02**  
Set your ambition

**03**  
Plan your actions

**04**  
Implement your plan

## KPMG's approach

**Step 1**  
**Diagnose**

We work with you to baseline your current climate and sustainability position, risks and opportunities to understand the size of the challenge

**Step 2**  
**Strategise**

We help define and set your decarbonisation ambition and develop a strategy and set of levers and scenarios to achieve it

**Step 3**  
**Transform**

We design and implement the right operating models, governance processes, and valuation frameworks to execute and track your transition

**Step 4**  
**Report**

We support you in working across your organisation to get the right data to feed into your reporting strategy and public transition plan as well as getting your message out to the market

## TPT disclosure framework

**Ambition**

1. Foundations

**Action**

2. Implementation strategy  
3. Engagement strategy

**Accountability**

4. Metrics and targets  
5. Governance

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