

# NET ZERO MOMENTUM TRACKER

RETAIL SECTOR

APRIL 2020

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**This report is part of a series of Net Zero Momentum Tracker (ClimateWorks Australia 2019) assessments focusing on sectors within the Australian economy. Net Zero Momentum Tracker is an initiative that demonstrates progress towards net zero greenhouse gas emissions in Australia. It brings together and evaluates climate action commitments made by Australian businesses, governments and other organisations.**

**Achieving net zero emissions prior to 2050 is a key element of the Paris Climate Agreement (UNFCCC 2015) to limit global temperature rise to well below 2 degrees Celsius above pre-industrial levels and to strive for 1.5 degrees.**

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## SUMMARY

# Retailers are realising their important role in reducing Australia's carbon emissions

Major retailers in Australia wield significant economic influence. The sector is Australia's second largest employer after healthcare, determines consumer choices and affects suppliers, producers and manufacturers across many economic sectors.

Before the COVID-19 pandemic radically transformed the Australian and global retail landscape, many of Australia's major retailers were beginning to identify where they could reduce emissions associated with their product value chains<sup>1</sup>, including emissions associated with their supply chains and supporting corporate activities.

Emissions from retail stores and company offices typically constitute a small proportion of a retailer's total emissions. Most emissions are found 'upstream' along the value chain through the production of goods and their transportation, and 'downstream' through product use and disposal.

This *Net Zero Momentum Tracker Retail Sector* report assesses the emissions-reduction commitments and activities of 23 Australian retailers. The companies selected were the 20 largest by market capitalisation listed on the Australian Securities Exchange (ASX) in October 2019, plus all retailers required to report emissions under the National Greenhouse and Energy Reporting (NGER) Act.

This retail sector report analyses the extent to which each company's commitments and initiatives tally with action required for Australia to achieve the 'net zero emissions by 2050' goal compatible with the Paris Climate Agreement. It assesses efforts to address

emissions from each company's retail operations and associated upstream and downstream activities, including those of suppliers and customers.

Using publicly available data, this report identifies the companies that have pledges or initiatives to reduce emissions, the proportion of their direct and indirect emissions these cover and their alignment with net zero by 2050.

The report finds that approximately four in five companies assessed are undertaking activities to reduce emissions or have a stated commitment to do so but that no company has yet made a comprehensive commitment that lines up with net zero by 2050.

Key findings from this assessment of 23 leading Australian retail companies are:

- None have made a comprehensive net zero emissions by 2050 commitment.
- Two of the companies – Amazon and Kathmandu – have net zero by 2050 commitments for a significant proportion of their value chain emissions, and have the most ambitious commitments of those assessed.
- An additional almost nine per cent of companies – that is, Aldi and Woolworths – do not have a net zero by 2050 commitment, but have set interim targets to reduce their value chain emissions that are compatible with this goal.

Of the remaining retail companies assessed: one (Wesfarmers) has a net zero by 2050 commitment for a small proportion of its emissions; fourteen (a group including Baby Bunting, JB Hi-Fi, David Jones and Myer that constitutes two-thirds of the total) have made climate commitments or are reducing their emissions but are not in alignment with the net zero by 2050 goal, and; four retailers (about one in five of those considered) have no disclosed emissions-reduction targets or activities.

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<sup>1</sup> The value chain describes the full range of activities that brings a product from conception through various stages of production and distribution to end use and disposal, including supporting activities such as product design and marketing. The

term, supply chain, which is more familiar to some, refers to the chain of suppliers inputting to a final product and is a subset of the value chain.

This report concludes that leading Australian retailers are alert to their role in reducing emissions across their value chains but that, on the whole, the retail sector is not yet making a significant contribution to emissions-reductions efforts across the economy. The voluntary steps taken to date nonetheless show the potential for retailers to join the growing momentum for major companies to support net zero emissions by 2050 Australia-wide<sup>2</sup>.

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<sup>2</sup> See previous Net Zero Momentum Tracker reports into momentum within the banking, property and local government sectors.

# There is limited momentum towards net zero emissions in Australia's retail sector

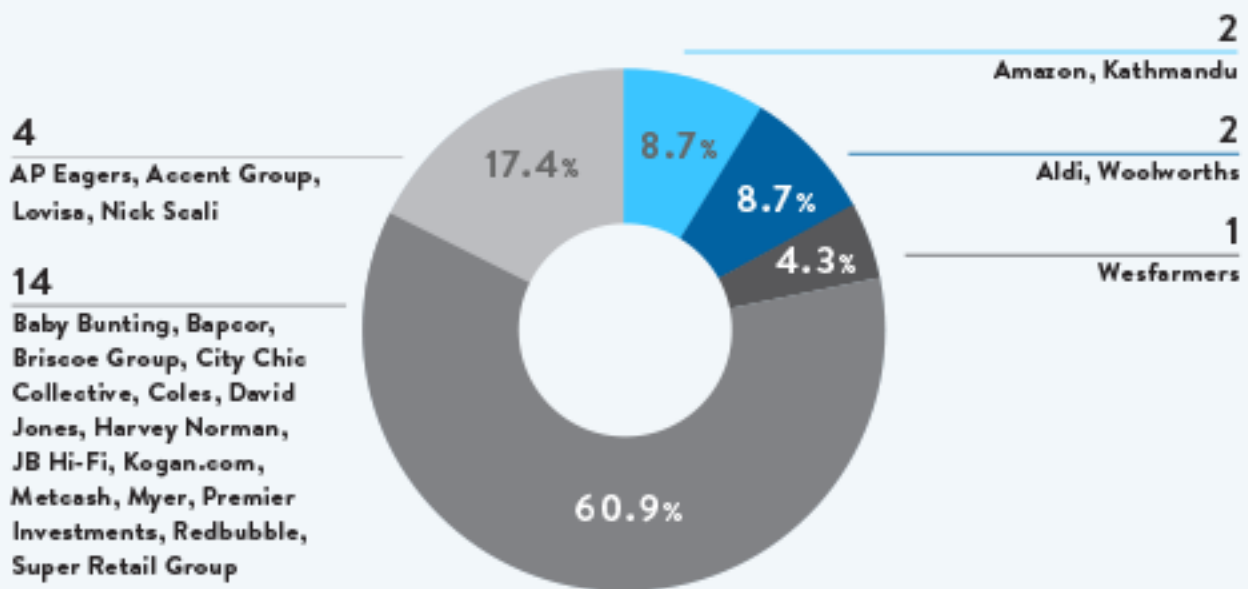
WE ASSESSED THE CLIMATE COMMITMENTS AND ACTIVITIES OF 23 LEADING AUSTRALIAN RETAILERS AND FOUND THAT:

**+17%**

have a climate commitment or aspiration to reduce a significant proportion of their value chain emissions, in line with the global net zero emissions by 2050 goal.

**+65%**

are taking steps to reduce some of their emissions, but not in line with the global net zero emissions by 2050 goal.



- **FULLY ALIGNED**  
 Net zero by or before 2050 target for all emissions
- **ALIGNED ASPIRATION/PATHWAY**  
 Net zero by 2050 aspiration or an aligned interim target
- **CLOSELY ALIGNED**  
 Net zero before 2050 pledge or target includes emissions from direct operations.
- **PARTIALLY ALIGNED**  
 Net zero by or before 2050 target for a small proportion of emissions
- **NOT ALIGNED**  
 Undertaking emissions reduction activities, but these are not sufficient to reach net zero before 2050
- **NO EMISSIONS REDUCTION TARGETS OR ACTIVITIES**  
 No emissions targets or activities have been disclosed

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## SECTOR INFLUENCE

# Retail companies have a powerful influence on Australia's economy

Retail is an important component of Australia's economy. The combined turnover of Australian retail organisations in 2019 exceeded \$329 billion<sup>3</sup> (Australian Bureau of Statistics 2020b), equivalent to 17.5 per cent of Australia's Gross Domestic Product<sup>4</sup> (Australian Bureau of Statistics 2020a). In addition, the retail sector is Australia's second largest employer (after healthcare), and influences consumer choices and the broader economy (Australian Bureau of Statistics 2019; Australian National Retailers Association 2015; Jahshan 2019).

Australia's retail sector consists of a mix of domestic and international brands, with domestic organisations attracting the majority of consumer spending (Jahshan 2019; National Australia Bank 2017). The most recent available data indicates Australians still prefer to shop in physical stores, with only eight per cent of retail currently occurring online. Amazon launched a specific Australian retail site in 2017, but at the time of this assessment, this had not significantly changed shopping habits. Although online retail activity is increasing (and likely to spike during the pandemic shutdowns), under typical market conditions it was shifting at a relatively gradual pace (Jahshan 2019).

In terms of total turnover, food retailers have the largest market share at 62 per cent, followed by the retailers of household goods that comprise 26 per cent (Australian Bureau of Statistics 2020c). These subsectors are dominated by a small number of large Australian organisations: namely the retail conglomerate Wesfarmers (Bunnings, Kmart, Officeworks, Target), supermarket giants

Coles and Woolworths, and the department stores Myer and David Jones (Jahshan 2019). Coles, Wesfarmers and Woolworths are among Australia's 20 most valuable public companies<sup>5</sup>. Based on 2016 revenues, Wesfarmers and Woolworths rank amongst the top 25 retail companies globally (Australian Securities Exchange 2020; Deloitte Touche Tohmatsu Limited 2018). Market concentration within much of Australia's retail sector means that a handful of large domestic organisations exert strong influence over Australian consumers as well as over other retailers and sectors that supply or service retail, such as agriculture, manufacturing, logistics and property (Australian National Retailers Association 2015; Productivity Commission 2011).

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## GLOBAL CONTEXT

# Retail can play a cross-sector role towards achieving net zero emissions

Emissions from retailers' shops, offices and corporate activities such as business travel are only a small proportion of the emissions attributable to the retail sector. The majority of emissions from retail companies are generated from the upstream production of goods, from their transportation, and from their downstream use and disposal (Carbon Disclosure Project 2019).

The retail sector is diverse in terms of the goods and services supplied by its sub-sectors and the way organisations engage with customers and distribute goods. As a consequence, the significance of emissions from different parts of the value chain and different sources can vary considerably between retailers. For example, refrigerant

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<sup>3</sup> All financial values are in Australian dollars, unless otherwise specified.

<sup>4</sup> Gross Domestic Product (GDP) is the value of all goods and services produced in a country within a given period after deducting the cost of goods and services.

<sup>5</sup> Based on market capitalisation, a measure of a publicly listed company's value calculated by multiplying the number of shares held by the company's investors by the current share price.

leakage and energy intensive refrigeration equipment can increase the significance of operational emissions for food retailers compared to other retailers. Emissions associated with customer deliveries, such as from transportation and packaging, may be more significant for online retailers than for those with physical stores (Bain and Company 2017; Carbon Disclosure Project 2019; Mahler & Aurik 2010).

Regardless of emissions sources, to achieve net zero emissions, a retail organisation must align its entire value chain and associated corporate operations with this goal. This may require changing the behaviour and expectations of suppliers, logistics companies and customers. As a consequence, the potential influence of the retail sector to achieve emissions reductions across the broader economy is significant (Carbon Disclosure Project 2019).

Globally, some retailers acknowledge the need to transition to a low-emissions economy. Those within the textile, clothing and footwear industry, which generates an estimated 10 per cent of global greenhouse gas emissions (United Nations 2018), are among the most proactive. For example, over 90 retailers and manufacturers are signatories to the United Nations Framework Convention on Climate Change's Fashion Industry Charter for Climate Action (UNFCCC 2018). These include prominent global corporations such as Nike, H&M, Gap and Levi Strauss. The charter includes a commitment to align direct and indirect emissions<sup>6</sup> with net zero by 2050 through an emissions reduction target of 30 per cent by 2030 relative to a baseline of no earlier than 2015.

Currently 48 retailers globally have set targets, or have made a commitment to do so, through the Science Based Targets initiative (SBTi). This initiative helps companies set five to 15 year emissions targets based on criteria aligned with the Paris Agreement goal of

limiting global temperature rise to 1.5°C, or well below 2°C. In total, it has over 800 participating organisations based in 17 countries.

A few major retailers have committed to be 'carbon neutral'<sup>7</sup>, across their entire value chain (Mahler & Aurik 2010; Pandey 2019). These include New Zealand's largest retailer The Warehouse Group, the UK supermarket chain Sainsbury's, and the global furniture giant IKEA.

The Warehouse Group has already achieved carbon neutral certification (The Warehouse Group 2020). It has done so by reducing emissions across its operations and supply chain, and purchasing carbon credits to offset any remaining emissions. The aim is for the Warehouse Group's carbon credit investments to ultimately support up to 2700 hectares of native forest regeneration.

Sainsbury's is targeting carbon neutrality by 2040 (Partridge 2020; Sainsbury's 2020). Supporting activities aim to improve the efficiency of refrigeration systems, reduce fleet vehicle emissions, increase recycling and reduce food waste and water use. Sainsbury's is also collaborating with suppliers to ensure these organisations have suitably aligned emissions commitments.

By removing more carbon from the atmosphere than it generates, IKEA aims to be 'climate positive' by 2030 (Butler 2019; IKEA 2020). IKEA is working towards 100 per cent renewable energy across its value chain, and is investing in reforestation. IKEA is also designing products that can be repaired, resold, repurposed or recycled to enable a circular economy approach. The company has invested in plastics, textile and mattress recycling and is trialling a buy-back scheme and the sale of repaired used furniture.

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<sup>6</sup> Direct emissions are from an organisation's owned or controlled sources. Indirect emissions include those from the generation of an organisation's purchased energy and those that occur in the value chain upstream and downstream from owned and controlled sources.

<sup>7</sup> Carbon neutral refers to achieving net zero carbon dioxide emissions by balancing emissions with removal or simply eliminating carbon dioxide emissions altogether. 'Carbon neutral' and 'net zero emissions' are often used interchangeably, although the scope of net zero emissions should include greenhouse gases other than carbon dioxide.



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## PLEDGE PLATFORMS AND INITIATIVES

Climate action initiatives that have been embraced by some of the retailers assessed include:

- **SBTi:** A collaboration between CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute and the World Wide Fund for Nature (Science Based Targets 2020). SBTi considers targets to be science-based if commitments are consistent with limiting global temperature rise to well below 2 degrees Celsius or 1.5 degrees Celsius above pre-industrial levels. SBTi's goal is for target-setting based on this definition to become standard business practice by 2020 for direct and indirect value chain emissions as well as for purchased electricity. SBTi's approach does not require organisations to make an explicit pledge to achieve net zero emissions by 2050. SBTi targets can, however, be considered to be aligned with pathways to net zero by 2050. This is because most scenarios show that, to remain below 2 or 1.5 degrees Celsius, developed countries will have to halve emissions every decade to achieve net zero emissions by around 2050. Currently Woolworths is the only Australian retailer that has publicly made a target setting commitment through SBTi.
- The **UNFCCC's Fashion Industry Charter for Climate Action:** Launched at the 2018 United Nations Climate Change Conference (COP24), this charter acknowledges the need to reach 'climate neutrality in the second half of the twenty-first century' in order to achieve the goals of the Paris Climate Agreement (UNFCCC 2018). It requires signatories to commit to a 30 per cent reduction in 'scope 1, 2 and 3 emissions<sup>8</sup>... by 2030 against a baseline of no earlier than 2015'. These signatories include Wesfarmers subsidiaries Kmart and Target.
- **Take2:** A pledge initiative led by the Victorian Government (Sustainability Victoria 2019). It provides a platform for individuals and organisations to pledge action and initiatives to address climate change. Amongst the retailers we assessed, the New Zealand based retailer Kathmandu, which has most of its retail outlets in Australia and owns the Australian surf brand Ripcurl, has made emissions reduction commitments through the Take2 initiative. David Jones and JB Hi-Fi are also Take2 signatories.
- The **New South Wales Government's Sustainability Advantage Program:** An initiative that acknowledges business and local government action to operate more sustainably and provides assistance to help organisations achieve their sustainability goals (Government of New South Wales 2019). The initiative's objectives include achieving net zero in New South Wales and facilitating a circular economy. Ten retailers operating in Australia, including David Jones and Ikea, have joined the scheme.

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<sup>8</sup> Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions

are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company.



## ANALYSIS

# Australian retail sector climate commitments

This Net Zero Momentum Tracker Retail Sector report assessed the pledges, commitments and activities of 23 Australian retail organisations to evaluate their alignment with achieving net zero emissions by 2050.

The analysis focused on the top 20 retail companies by market capitalisation<sup>9</sup> listed in the Australian Securities Exchange (ASX) – equivalent to 96 per cent of ASX listed retail company market capitalisation<sup>10</sup> – and those required to report their emissions under the National Greenhouse and Energy Reporting (NGER) Act<sup>11</sup>.

Table 1 summarises the assessment of each retail company's net zero ambition based on analysis of commitments and activities that address direct and indirect emissions from across their value chains, including production, transportation, retailing, distribution, use, disposal, and associated corporate activities.

Table 2 shows an assessment of activities and initiatives aimed at reducing emissions from retailing stores and corporate activities.

Table 3 is an assessment of emissions reducing activities and initiatives targeting the upstream production of goods, their transportation and their downstream use and disposal. In each case, the analysis focuses on renewable energy use, energy efficiency improvements, fuel switching (such as electrification of buildings and facilities) and the mitigation or offsetting of non-energy emissions.

Supporting details for Tables 1, 2 and 3 are provided in the Appendix.

The net zero emissions ambition analysis finds that, of the 23 retailers assessed:

- Two companies (8.7 per cent) are **closely aligned** since they both have targets to achieve net zero before 2050 and supporting strategies that address almost all emissions from across their value chain. Amazon's commitment to be net zero by 2040 includes production of private-label products but excludes engagement to align suppliers of their other products with this target. Kathmandu has a target to achieve net zero emissions by 2025 across their value chain but its supporting strategy has thus far focused on reducing scope 2 emissions (approximately three-quarters of their value chain emissions).
- Two companies (8.7 per cent) are **on a pathway** to this goal but do not have a net zero emissions by 2050 target for their value chain emissions but, since they (Aldi and Woolworths) have an interim emissions reduction target aligned with a trajectory to this outcome.
- One company (4.3 per cent) is **partially aligned**. This organisation (Wesfarmers) is a conglomerate and some of its subsidiary retailers (including Kmart Group<sup>12</sup> and Officeworks<sup>13</sup>) have targets aligned with net zero emissions by or before 2050.
- Fourteen companies (60.9 per cent) are **not aligned**, since they (Baby Bunting, Bapcor, Briscoe Group, City Chic Collective, Coles, David Jones, Harvey Norman, JB Hi-Fi, Kogan.com, Metcash, Myer, Premier Investments, Redbubble and Super Retail Group) have made no net zero by 2050 commitments but are taking steps to reduce some of their emissions.
- Four companies (17.4 per cent) have **no disclosed emissions reduction targets or activities** (AP Eagers, Accent Group, Lovisa, Nick Scali).

<sup>9</sup> Market capitalisation is a measure of a publicly-listed company's value, calculated by multiplying the number of shares held by the company's investors by the current share price.

<sup>10</sup> Listed in the ASX in October 2019.

<sup>11</sup> The analysis used NGER data for 2017-18. The criteria that determine which organisations are required to submit emissions and energy reports under the NGER Act are outlined at

<http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Assess-your-obligations/Reporting-thresholds>

<sup>12</sup> Includes the Kmart and Target brands.

<sup>13</sup> Assessed using SBTi's Science Based Target Setting tool (<https://sciencebasedtargets.org/resources/>), which indicates that both companies have targets aligned with a 2-degree scenario.

Overall, the analysis found that four of the 23 retail companies assessed (17.4 per cent) have a climate commitment or aspiration to reduce a significant proportion of their value chain emissions in line with net zero emissions by 2050. One (4.3 per cent) has a net zero by 2050 commitment for a small

proportion of its emissions. Fourteen companies, or 60.9 per cent, are taking some steps to reduce their emissions, although not in line with this goal. Four companies, 17.4 per cent, have made no disclosures.

**TABLE 1: ASSESSMENT OF NET ZERO AMBITION**

Retailers listed are the largest 23 retailers by market capitalisation listed in the ASX in October 2019 and those required to report their emissions under the NGER Act for 2017-18. This assessment of ambition is informed by Table 6 (included in the Appendix).

Net zero ambition	Market capitalisation (\$million)	Company
★	...this can be you	
☆	-	Amazon Pty Limited
☆	\$ 650.74	Kathmandu
■	\$ 47,260	Woolworths (Group total)
■	-	Aldi
▲	\$ 45,140	Wesfarmers
●	\$ 20,170	Coles
●	-	David Jones
●	\$ 5,320	Harvey Norman
●	\$ 3,890	JB Hi-Fi
●	\$ 3,060	Premier Investments
●	\$ 2,760	Metcash Limited
●	\$ 2,040	Bapcor Limited
●	\$ 1,820	Super Retail Group Limited
●	\$ 759.57	Briscoe Group
●	\$ 583.49	Kogan.com
●	\$ 509.19	Myer
●	\$ 457.52	City Chic Collective
●	\$ 429.90	Baby Bunting
●	\$ 399.37	Redbubble Limited
○	\$ 3,420	AP Eagers Limited
○	\$ 1,380	Lovisa
○	\$ 936.35	Accent Group Limited
○	\$ 593.73	Nick Scali

- ★ **Fully aligned** The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes all direct and indirect emissions across the organisation's entire value chain and is supported by a strategy and/or interim reduction target for avoidable emissions with a goal to only use offsets for unavoidable emissions.
- ☆ **Closely aligned** The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes a significant<sup>14</sup> proportion (but not all) of the direct and indirect emissions from across the organisation's entire value chain.
- **Aligned aspiration/ pathway** The organisation has an aspiration to achieve net zero emissions by or before 2050 across its entire value chain or has interim targets or initiatives that align it with this pathway.
- ▲ **Partially aligned** The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes emissions from a small proportion of the organisation's value chain.
- **Not aligned** The organisation has made a commitment, pledge or is undertaking activities that will reduce its emissions but not in alignment with net zero before 2050, or the alignment is unclear due to insufficient information.
- **No emissions reduction targets or activities** The organisation has not disclosed any emissions reduction targets, commitments or activities.

<sup>14</sup> For this analysis, 'significant' is considered to be 75% of all direct and indirect value chain emissions or greater.

**TABLE 2: ASSESSMENT OF EMISSIONS REDUCTION COMMITMENTS AND ACTIVITIES FOR RETAIL STORES AND CORPORATE ACTIVITIES**

This assessment of emissions reduction activities and initiatives is informed by the pledges and commitments summarised in Table 5. This assessment focuses on energy conservation, the use of renewable energy, fuel switching (such as electrification of buildings and facilities) and the mitigation or offsetting of non-energy emissions.

Company	Energy conservation	Renewable electricity	Electrification/fuel switching	Non-energy targets
Accent Group Limited	○	○	○	○
Aldi Australia	■	■	○	■
Amazon Pty Limited	☆	★	■	★
AP Eagers Limited	○	○	○	○
Baby Bunting	■	■	○	■
Bapcor Limited	■	○	○	■
Briscoe Group	■	○	○	■
City Chic Collective	○	○	○	○
Coles	■	■	○	■
David Jones	■	★	○	■
Harvey Norman	■	■	○	■
JB Hi-Fi	■	○	○	■
Kathmandu	■	■	○	■
Kogan.com	○	○	○	○
Lovisa	○	○	○	○
Metcash Limited	○	○	○	■
Myer	■	○	○	■
Nick Scali	○	○	○	○
Premier Investments	■	○	○	■
Redbubble Limited	○	○	○	○
Super Retail Group Limited	■	■	○	○
Wesfarmers	■	■	■	■
Woolworths (Group total)	■	■	○	■

- ★ Specific target that aligns with net zero emissions before 2050. For example:
  - Energy conservation: commitment equivalent to one of the EP100 pathways or similar.
  - Renewable energy: commitment to use 100 per cent renewable energy.
  - Electrification/fuel switching: 100 per cent shift to electrification and/or non-emitting fuels.
  - Non-energy: Offsetting of unavoidable emissions only.
- ☆ Activities to reduce emissions supported by a detailed strategy or target.
- Activities without a detailed strategy or target that will reduce emissions.
- Generic expression of intent or no information.

**TABLE 3: ASSESSMENT OF COMMITMENTS AND ACTIVITIES FOR REDUCING EMISSIONS FROM PRODUCTION OF GOODS, THEIR TRANSPORTATION AND THEIR USE AND DISPOSAL**

This assessment of emissions reduction activities and initiatives is informed by the pledges and commitments summarised in Table 5. This assessment focuses on energy conservation, the use of renewable energy, fuel switching (such as electrification of buildings and facilities) and the mitigation or offsetting of non-energy emissions.

Company	Energy conservation	Renewable electricity	Electrification/fuel switching	Non-energy targets
Accent Group Limited	○	○	○	○
Aldi Australia	○	■	○	■
Amazon Pty Limited	☆	★	☆	☆
AP Eagers Limited	○	○	○	○
Baby Bunting	○	○	○	■
Bapcor Limited	■	○	○	■
Briscoe Group	○	○	○	■
City Chic Collective	○	○	○	■
Coles	■	○	■	■
David Jones	■	★	○	■
Harvey Norman	○	○	○	■
JB Hi-Fi	■	○	○	■
Kathmandu	■	■	○	■
Kogan.com	○	○	○	■
Lovisa	○	○	○	○
Metcash Limited	○	○	○	■
Myer	○	○	○	■
Nick Scali	○	○	○	○
Premier Investments	■	○	○	■
Redbubble Limited	■	○	○	■
Super Retail Group Limited	■	○	○	■
Wesfarmers	■	○	○	■
Woolworths (Group total)	○	■	■	■

- ★ Specific target that aligns with net zero emissions before 2050. For example:
  - Energy conservation: commitment equivalent to one of the EP100 pathways or similar.
  - Renewable energy: commitment to use 100 per cent renewable energy.
  - Electrification/fuel switching: 100 per cent shift to electrification and/or non-emitting fuels.
  - Non-energy: Offsetting of unavoidable emissions only.
- ☆ Activities to reduce emissions supported by a detailed strategy or target.
- Activities without a detailed strategy or target that will reduce emissions.
- Generic expression of intent or no information.

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## Case studies

### WOOLWORTHS

Woolworths aims to reduce direct emissions from its operations to 60 per cent below 2015 levels by 2030 and has pledged to eventually adopt a target 'in line with the level of carbon reduction required to limit global warming to 1.5 degrees above pre-industrial levels' through the SBTi initiative (Woolworths Group 2019).

In an effort to monitor and minimise energy consumption, Woolworths has linked its 995 Australian stores to an Energy Management Centre of Excellence. Analysis of heating, ventilation and cooling system data gathered through the centre has identified 'over 1,500 changes equating to potential energy savings of \$1.3 million'.

Other emissions-reduction initiatives include the installation of solar panels on some stores and distribution centres, the trial of an electric delivery truck, phasing out the use of refrigerants that cause global warming and limiting deforestation from production of some own brand products.

### KATHMANDU

Kathmandu has over 160 stores in Australia, New Zealand and the UK, manufactures goods in 101 factories in Asia, New Zealand and Europe and sources materials from Asia, Australasia and the US. The organisation has a plan to achieve 'zero environmental harm' by 2025, which includes scope 1, 2 and 3 emissions (Kathmandu Holdings Limited 2019).

To date, the organisation's focus has been on scope 2 emissions, with a target to reduce these emissions by 20 per cent by 2020 from 2012 levels. It exceeded this target in 2019. Kathmandu is measuring and reporting scope 2 and 3 emissions under the Certified Emissions Measurement and Reduction Scheme (CEMARS) program as a prerequisite to setting science-based emissions reduction targets. Its scope 2 emissions, from energy used in stores,

distribution centres and offices, primarily come from Australia, where coal is still the main energy source. Scope 3 emissions predominantly result from transportation of goods and constitute approximately a quarter of the organisation's overall emissions.

Specific activities that the organisation is currently undertaking includes a focus on offsetting business travel, improving energy efficiency and minimising waste. This includes replacing synthetic materials manufactured from fossil fuels with recycled and plant-based materials. Ultimately, through lifecycle analysis, Kathmandu are attempting to move towards a circular economy where products sit within a closed loop.

The organisation has made a pledge under the state of Victoria's Take2 initiative (Take2 2017). This includes commitments to train staff to reduce emissions at work and at home, and provide advice and services to help customers reduce their emissions.

### AMAZON

Amazon has committed to reach 'net zero carbon' by 2040 (Amazon 2020b). This target encompasses emissions across the company's entire value chain, including Amazon-operated and third-party freight, production of private-label products and customer trips to Amazon stores. The organisation aims to achieve its target through investments in electrification and renewable energy, use of recyclable and minimum waste packaging and by the provision of opportunities to trade in, recycle, or repair Amazon devices and products. It will purchase offsets for any remaining emissions.

The organisation's Shipment Zero initiative aims to make 50 per cent of shipments from fulfilment centres to the customer net zero by 2030. Fulfilment centres will obtain 100 per cent of their power from renewable sources, through implementation of rooftop solar, supplemented by investment in large-scale wind and solar projects. By August 2019, Amazon had 66 renewable energy projects, including 51 solar rooftops. Amazon is working with its suppliers to implement carbon

neutral packaging by using recyclable materials and minimising the size and weight of packaging. The organisation has ordered 100,000 electric delivery vehicles and is placing delivery centres closer to customer populations to improve the overall energy efficiency of its deliveries.

In September 2019, Amazon and Global Optimism launched The Climate Pledge, with Amazon as its first signatory (Amazon 2020a). The Climate Pledge calls on signatories 'to be net zero carbon across their businesses by 2040, a decade ahead of the Paris Agreement goal of 2050'.

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## Next steps

The findings outlined in this report indicate that Australian retail companies are taking some steps to reduce their emissions, but much remains to be done within the sector.

The next step for many retail companies is to make a public pledge to achieve net zero emissions across their value chain by or before 2050. By adopting and working towards net zero emissions targets Australian retailers can, through their influence on their peers, their suppliers and their customers, help build momentum towards net zero emissions Australia wide.



## Appendix

### COMPANIES AND DATA

The retail organisations considered by this analysis are the top 20 retail companies by market capitalisation<sup>15</sup> listed in the Australian Securities Exchange (ASX) in October 2019, and those required to report their emissions under the National Greenhouse and Energy Reporting (NGER) Act<sup>16</sup>.

Table 4 lists these retailers, their sub-sector and data sources consulted. Table 5 summarises the information used to inform the analysis. Table 6 details the assessment of net zero by 2050 ambition for each of the retailers.

**TABLE 4: COMPANIES AND DATA CONSIDERED BY THE ANALYSIS**

Company	Main goods sold	Total Scope 1 and 2 emissions (tCO <sub>2</sub> e)	Market Cap (AUD millions) <sup>17</sup>	Pledge Platforms	Other sources	Emissions data sources
Accent Group Limited	Footwear	-	\$ 936,350		Annual Report 2019	
Aldi Australia	Food and staples	277,174	-		International Corporate Responsibility Report 2017 Company Carbon Footprint Summary Report 2016 Aldi Website	NGER 2017/18
Amazon Pty Limited <sup>18</sup>	[Online] Work, Home and Lifestyle	9,690,000	-		2018 Annual Report Amazon Carbon Methodology 2019 Amazon Sustainability Website Amazon Website	Amazon Sustainability Website
AP Eagers Limited	Automobiles and automotive parts	-	\$ 3,420,000		2018 Annual Report	
Baby Bunting	Nursey products	-	\$ 429,900		2019 Annual report 2018 Annual report	
Bapcor Limited	Automotive parts, equipment and services	-	\$ 2,040,000		2019 Annual Report	
Briscoe Group	Homeware and sporting goods retailers	-	\$ 759,570		2019 Annual Report	
City Chic Collective	Textile	59,394	\$ 457,520		2019 Annual Report City Chic CSR Website	NGER 2017/18

<sup>15</sup> Market capitalisation is a measure of a publicly-listed company's value, calculated by multiplying the number of shares held by the company's investors by the current share price.

<sup>16</sup> The criteria that determine which facilities and corporations are required to submit emissions and energy reports under the NGER Act are outlined at <http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Assess-your-obligations/Reporting-thresholds>

<sup>17</sup> Data retrieved on October 2019.

<sup>18</sup> Total group (not just Australia).

Company	Main goods sold	Total Scope 1 and 2 emissions (tCO2e)	Market Cap (AUD millions) <sup>17</sup>	Pledge Platforms	Other sources	Emissions data sources
Coles	Food and staples	1,616,761	\$ 20,170,000		2019 Annual Report 2019 Sustainability Report Coles Website	Sustainability Report 2019
David Jones	Department Store- Textile and cosmetics	83,216	-	Take2	2019 WHL Integrated Annual Report 2019 Good Business Journey Report David Jones Website	NGER 2017/18
Harvey Norman	Homeware and electronics	126,830	\$ 5,320,000		2019 Annual Report Harvey Norman Website	NGER 2017/18
JB Hi-Fi	Home entertainment	62,263	\$ 3,890,000	Take2	2019 Annual Report	NGER 2017/18
Kathmandu	Textile	6,340 <sup>19</sup>	\$ 650,740	Take2	2019 Sustainability Report Kathmandu Website	
Kogan.com	[Online] Work, Home and Lifestyle	-	\$ 583,490		2019 Annual report Product Stewardship Website Kogan.com Ethical & Sustainable Sourcing	
Lovisa	Jewellery	-	\$ 1,380,000		2019 Annual Report	
Metcash Limited	Food and staples	87,793	\$ 2,760,000		2019 Annual Report	NGER 2017/18
Myer	Department Store- Textile and cosmetics	137,643	\$ 509,190		2019 Annual Report Sustainability Report 2014	NGER 2017/18
Nick Scali	Houseware	-	\$ 593,730		2019 Annual Report	
Premier Investments	Textile and leisure products	-	\$ 3,060,000		2019 Annual Report Business Sustainability Statement 2019	
Redbubble Limited	[Online] Work, Home and Lifestyle	-	\$ 399,370		2019 Annual Report Redbubble Website	
Super Retail Group Limited	Leisure & sport goods and automotive parts & accessories	77,687	\$ 1,820,000		2019 Annual Report Sustainability Report 2019	NGER 2017/18
Wesfarmers	Work, home and lifestyle and industrial products	3,144,413	\$ 45,140,000		2019 Annual Report Wesfarmers Website	NGER 2017/18
Woolworths (Group total)	Food and staples	2,765,827	\$ 47,260,000	SBTi	2019 Annual Report Sustainability Report 2019	NGER 2017/18

<sup>19</sup> Only Scope 2 reported.

## PLEDGES AND COMMITMENTS

**TABLE 5: EMISSIONS-REDUCTION COMMITMENTS AND ACTIVITIES**

Company	Emissions reduction target	Corporate activities	Upstream and downstream activities
Accent Group Limited	No information.	No information.	No information.
Aldi Australia	Reduce carbon footprint by 30% from a 2012 baseline by 2020. Reduce GHG emissions per square metre of sales area by a massive 30% on our 2012 baseline.	Maximising energy efficiency in our operations. All new store refurbishments include extended energy efficient chillers and energy efficient LED lighting. Increasing the use of renewable energy in stores. Replacing refrigerants with a global warming potential (GWP) of > 2,200.	Use reusable crates across our produce range. Aim to reduce plastic packaging by 25% by 2025. Packaging of Aldi exclusive brands will be reformulated to be 100% recyclable, reusable or compostable by the end of 2025. Increase the use of renewable energy in distribution centres.
Amazon Pty Limited	Net zero carbon across Amazon by 2040.  Make all shipments net zero carbon, with 50% of all shipments net zero by 2030.	Energy efficient corporate offices. 80% Renewable energy across all business operations by 2024. Committed to using 100% renewable energy across its global infrastructure. Neutralise any remaining emissions with offsets.	Implementing emissions reduction measures, such as renewable energy, energy efficiency, sustainable materials and carbon sequestration, to zero out indirect emissions throughout the supply chain. Intend to add 100,000 fully electric vehicles to the delivery fleet. Implementing sustainable packaging measures.
AP Eagers Limited	No information.	No information.	No information.
Baby Bunting	No information.	Implementing energy efficient initiatives in stores such as replacing existing store lighting with energy efficient LED lighting. Installing solar powered extraction vents in some stores. Reduce amount of waste to landfill through the 'harvest recycling program.'	No information.
Bapcor Limited	No information.	Vehicle delivery fleet carbon emission offset project reached 5,292 tCO <sub>2</sub> e. Energy efficiency improvement program to roll-out LED replacements across Group sites with more than 100 locations completed to date. Group-wide initiative toward streamlining waste, recycling and packaging. In FY2019, the initiative diverted 24,000 metric tonnes of waste from landfill.	Minimise waste across business operations. Developing good recycling practices in offices, stores and warehouses. Further LED replacement activity throughout Group locations. Reviewing opportunities to improve fuel economy of the fleet.

Company	Emissions reduction target	Corporate activities	Upstream and downstream activities
Briscoe Group	No information.	Minimise waste to landfill. Energy efficient measures in buildings and target potential future savings through investment in heating, ventilation, air-conditioning and lighting systems.	Target less packaging and specify recyclable packaging types at source. Minimise waste and power consumption.
City Chic Collective	No information.	No information.	Improve packaging methods and reduce the number of plastic bags in our supply chain. Implement a standardised carton size to ensure efficient container loads and reuse cartons in warehouses.
Coles	Previous target: reduce greenhouse gas emissions by 30% from a 2009 baseline by 2020 [met in 2016].	Thirty-eight supermarkets with solar as of end FY19 and considering solar on the blueprint for new stores. Implementing energy efficient measures in stores. Reducing waste from operations. Energy consumption per square metre has reduced by 17% since 2012. 10-year agreement to purchase electricity from three solar plants which will equate to approximately 10% of Coles' total electricity. Refrigerant Strategy focussed on reducing refrigerant losses and adopting refrigerants with lower global warming potential. Divert 90% of all waste from landfill by 2022. Met target to halve all food waste from supermarkets by 2020.	All Own Brand packaging to be recyclable by 2020. Reducing excess packaging across stores and the supply chain. REDCycle soft plastics recycling in all Coles supermarkets. Installing LED lighting in distribution centres. Working with transport providers to increase fleet utilisation. Converting chilled trailer units from diesel to electric powered refrigeration when on the dock at distribution centres.
David Jones	No information	Source all energy from renewable sources by 2030. Ongoing implementation of energy-efficiency initiatives in facilities. Increase recycling of waste from direct operations.	All packaging will be reusable or recyclable by 2025. Phase out of problematic and unnecessary single-use plastics packaging.
Harvey Norman	No information.	Reducing electricity consumption through solar energy installations and other energy efficiency initiatives as air-conditioning and lighting upgrades. Improve recycling rates. Average landfill diversion: 40% (measured by weight)	E-waste recycling is available.
JB Hi-Fi	No information.	Implement LED lighting in stores. Recycle waste from operations. Trial to identify opportunities to reduce plastic waste going to landfill.	Educate employees to best advise customers about the energy efficiency of products. Support the REDCycle Program, which enables soft plastics to be returned and recycled.

Company	Emissions reduction target	Corporate activities	Upstream and downstream activities
Kathmandu	Net Zero carbon by 2025. Reduce our Scope 2 emissions by 20% by 2020 from 2012 levels.	Operate zero-waste facilities by 2025. Replace inefficient equipment with energy efficient models and install LED lighting. Integrate circular economy principles within the business Increase recycling rates in offices and stores.	100% sustainable packaging materials by 2025. 100% of products designed, developed and manufactured using elements of circularity by 2025. Increase recycling rates in distribution centres. Actively remove waste from our supply chains.
Kogan.com	No information.	No information.	Supporting the collection and recycling of e-waste. Goal: To increase recycling rate of e-waste to 80% by 2021-22.
Lovisa	No information.	No information.	No information.
Metcash Limited	No information.	Reducing the amount of waste to landfill. Committed to eliminate the distribution and sale of single use plastic bags.	Working with suppliers to reduce the use of plastic.
Myer	No information.	Energy efficiency projects implemented. 2020 target: Reduce energy intensity to $\leq 146.0$ kJ/m <sup>2</sup> [achieved]. Implemented initiatives to reduce waste sent to landfill.	Reduction in waste generation while sustaining effective re-use systems.
Nick Scali	No information.	No information.	No information.
Premier Investments	No information.	Improved lighting standards to efficiently manage energy consumption in all stores. Implement recycling and sustainability practices in all stores.	Optimising packaging to reduce environmental impact Implement recycling and sustainability practices across distribution and support centres. Improved lighting standards to efficiently manage energy consumption in distribution and support centres.
Redbubble Limited	No information.	No information.	Every product is printed on demand, reducing the amount of waste. Around 95% of the packages originate within the same region from which they are ordered. This ensures that less energy is used in the delivery of packages. Offsetting the carbon emissions from shipping products and funding reforestation in the Mississippi Alluvial Valley and a cook-stove replacement program.

Company	Emissions reduction target	Corporate activities	Upstream and downstream activities
Super Retail Group Limited	Reduce carbon emissions by 20 per cent by 2030 through energy efficiency measures [2017 baseline].	Implement energy efficiency measures including lighting upgrades, optimising the operating hours of the equipment, installing energy saving devices, and encouraging behavioural change in the energy usage of the team members. Investigate net-zero emission scenarios through renewable energy options in 2020.	Adopt a circular economy model for our private brand products and packaging. 100 per cent of all our private brand packaging to be reusable, recyclable or compostable by 2025. Incorporating materials with recycled content in selected products, making it easier for customers to recycle some of the products and reducing waste from operations. Reduce delivery distances for our online orders. Improved the units per outbound pallet from distribution centres by 4 per cent in the last quarter of FY19.
Wesfarmers	Divisions must set emissions targets for 2025. WesCEF's target: emissions per unit of production are below the mean of comparable peers. Kmart Group's target: reduce emissions by 20 per cent from its baseline (331 ktCO <sub>2</sub> e). Bunnings' target: reduce emissions by 10 per cent from its baseline (260 ktCO <sub>2</sub> e). Officeworks' target: reduce emissions by 25 per cent from its baseline (49 ktCO <sub>2</sub> e). Industrial and safety's target: reduce emissions by 12 per cent from its baseline (15 ktCO <sub>2</sub> e). Coregas' target: emissions per unit of production are below the mean of comparable peers. Baselines derived from NGERs FY18 submission, less discontinued operations, plus other non-reportable emissions under control and other known international Scope 1 and 2 emissions.	Include solar power and improved energy efficient measures across some divisions. Work with landlords to invest in renewable energy on rooftops and energy efficiency projects. Bunnings: Preparatory work on electric vehicle charging stations is underway. Reduce the use of plastic bags and to increase recycling. Prioritise the uptake of projects to improve energy efficiency and increase reliance of renewable energy.	Reduce the use of carbon-intensive and virgin-raw materials. Reduce use or sale of materials that cannot be recycled. Implement sustainable packaging and increase product takeback offerings. Continuing to reduce the waste to landfill and to increase recycling. Develop and implement strategies to optimise freight operations.

Company	Emissions reduction target	Corporate activities	Upstream and downstream activities
Woolworths (Group total)	Reduce direct emissions by 60% emissions levels by 2030 (2015 baseline). Commit to set an SBT by 2021 for Scopes 1, 2, 3.	Improving HVAC system settings and installed LED lighting in stores to be more energy efficient. Continue to roll out solar installations in stores. Innovate with natural refrigerants and reduce leakage in our stores by 15% of CO2-e below 2015 levels. Obtaining Green Star Ratings where possible in new builds. Issuing Green Bonds.	100% of all own-brand packaging be reusable, recyclable or compostable by 2025. Continue to roll out solar installations in distribution centres. Using fully electric trucks to deliver stock.



## ASSESSMENT OF EMISSIONS-REDUCTION AMBITION

Table 6 details the assessment of emissions reduction ambition for each of the retailers considered by the analysis. This assessment considers emissions-reduction commitments and activities across each retailer's value chain. It is informed by the assessment of emissions

reduction activities for stores and corporate activities (Table 2), the assessment of emissions reduction activities from the production of goods, their transportation and their use and disposal (Table 3), and the pledges and commitments summarised in Table 5.

This assessment is based on the following criteria:

Net Zero by/before 2050 target?	Indicates whether a retailer has an overarching target to be net zero by or before 2050 (Yes/No)
Interim emissions reduction activities	Indicates whether a retailer has defined an interim emissions reduction target over a period against a baseline year (Target) or no information can be found regarding an emissions reduction target (No information).
Target aligned with pathway to net zero	Indicates whether the organisation's interim emissions reduction target is aligned with a sector pathway to net zero by or before 2050 (Yes, No, Partial). Partial in this case indicates that some of a retailer's subsidiaries have aligned emissions reduction targets.
All emissions included?	Indicates whether a retailer's emissions reduction target includes all value chain emissions (Yes, Partial)
Emissions reductions activities?	Indicates whether a retailer has a commitment or is undertaking activities that will reduce its emissions.

Based on the above criteria, each company's emissions reduction ambition was assessed as follows:

★	Fully aligned net zero target	The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes all direct and indirect emissions across the organisation's entire value chain and is supported by a strategy and/or interim reduction target for avoidable emissions with a goal to only use offsets for unavoidable emissions.
☆	Closely aligned net zero target	The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes a significant <sup>20</sup> proportion (but not all) of the direct and indirect emissions from across the organisation's entire value chain.
■	Aligned aspiration/pathway	The organisation has an aspiration to achieve net zero emissions by or before 2050 across its entire value chain or has interim targets or initiatives that align it with this pathway.
▲	Partially aligned net zero target	The organisation has made a pledge to achieve net zero emissions by or before 2050. This pledge includes emissions from a small proportion of the organisation's value chain.
●	Not aligned	The organisation has made a commitment, pledge or is undertaking activities that will reduce its emissions but not in alignment with net zero before 2050, or the alignment is unclear due to insufficient information.
○	No emissions reduction targets or activities	No disclosed emissions reduction targets, commitments or activities.

<sup>20</sup> For this analysis, 'significant' is considered to be 75% of all direct and indirect value chain emissions or greater.

**TABLE 6: ASSESSMENT OF EMISSIONS-REDUCTION AMBITION**

Company	Net zero ambition	Net Zero by/before 2050 target?	Emissions reduction targets			Emissions reductions activities?	
			Interim emissions reduction commitments	Target aligned with pathway to net zero	All emissions included?	Upstream and downstream activities	Stores & corporate activities
Amazon Pty Limited	☆	Yes	No information	-	-	Yes	Yes
Kathmandu	☆	Yes	Target	Yes	Partial	Yes	Yes
Aldi Australia	■	No	Target	Yes	Partial	Yes	Yes
Woolworths	■	No	Target	Yes	Partial	Yes	Yes
Wesfarmers	▲	No	Target	Partial	Partial	Yes	Yes
Baby Bunting	●	No	No information	-	-	Yes	Yes
Bapcor Limited	●	No	No information	-	-	Yes	Yes
Briscoe Group	●	No	No information	-	-	Yes	Yes
City Chic Collective	●	No	No information	-	-	Yes	No
Coles	●	No	No information	-	-	Yes	Yes
David Jones	●	No	No information	-	-	Yes	Yes
Harvey Norman	●	No	No information	-	-	Yes	Yes
JB Hi-Fi	●	No	No information	-	-	Yes	Yes
Kogan.com	●	No	No information	-	-	Yes	No
Metcash Limited	●	No	No information	-	-	Yes	Yes
Myer	●	No	No information	-	-	Yes	Yes
Premier Investments	●	No	No information	-	-	Yes	Yes
Redbubble Limited	●	No	No information	-	-	Yes	No
Super Retail Group Limited	●	No	Target	No	Partial	Yes	Yes
Accent Group Limited	○	No	No information	-	-	No	No
AP Eagers Limited	○	No	No information	-	-	No	No
Lovisa	○	No	No information	-	-	No	No
Nick Scali	○	No	No information	-	-	No	No

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## WHAT IS THE NET ZERO MOMENTUM TRACKER?

Reaching net zero emissions is a core action of the Paris Agreement goal to limit global warming to well below 2 degrees Celsius and strive for 1.5 degrees. Many major global companies have incorporated this goal into their business strategies. In Australia, businesses and governments are doing the same, but there is no easily accessible place to assess these commitments, making them difficult to track.

The Net Zero Momentum Tracker tells the story of Australia's growing momentum towards net zero across key sectors in the Australian economy through a series of sector reports supported by an online platform.

[WWW.NETZEROTRACKER.ORG](http://WWW.NETZEROTRACKER.ORG)

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ClimateWorks Australia is an expert, independent adviser, committed to helping Australia, South East Asia and the Pacific region transition to net zero emissions by 2050. It was co-founded through a partnership between Monash University and The Myer Foundation and works within the Monash Sustainable Development Institute.

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