



CLIMATE DISCLOSURE STARTER GUIDE:

Measuring, Managing, and Reporting Scope 1, 2, and 3 Emissions



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About Persefoni

Persefoni is a leading Climate Management & Accounting Platform (CMAP). The company's Software-as-a-Service solutions enable enterprises and financial institutions to meet stakeholder and regulatory climate disclosure requirements with the highest degrees of trust, transparency, and ease. As the ERP of Carbon, the Persefoni platform provides users a single source of carbon truth across their organization, enabling them to manage their carbon transactions and inventory with the same rigor and confidence as their financial transactions.

About the Society for Corporate Governance

Founded in 1946, the Society for Corporate Governance is a professional association of over 3,600 governance professionals who serve 1,600 public, private, and not-for-profit entities of most every size and industry. Members are responsible for supporting their boards of directors and executive management with, among other things, corporate governance, disclosure, securities law regulation and compliance, shareholder relations, annual meetings, and subsidiary management.



Executive Summary

External forces, including pressures and mandates from regulators, investors, and other stakeholders, are driving many companies across sizes and industries to embark on the journey of emissions measurement, management, and disclosure.

Companies are increasingly establishing decarbonization targets with carbon neutral, net zero, and even climate-positive pledges. But it can be challenging to put together a sound decarbonization strategy before developing a robust process for measuring, managing, and reporting carbon emissions.

The purpose of this guide is to help business leaders understand the complicated and complex workstreams of climate management with a simple 5-step process:

- **Step 1:** Establish Organizational Boundaries and a Governance Strategy
- **Step 2:** Identify Emissions Sources and Collect Data
- **Step 3:** Align With the Relevant Standards
- **Step 4:** Create a Climate Strategy
- **Step 5:** Report Your Carbon Footprint

The purpose of this guide is *not* to give companies an in-depth “one size fits all” solution that any company can follow; rather, it aims to provide a general understanding of the steps to take when calculating and reporting a carbon footprint and building a climate strategy.

There is no cookie-cutter approach to carbon accounting and disclosure. Each company has different ambitions and needs. How each organization conducts its carbon accounting depends on several factors, including the industry, operational jurisdictions, and size and culture of the company. However, this general knowledge will enable readers to apply this process to the needs of their organization to ensure accurate measurement and disclosure of climate information.



Why Measure and Disclose Your Carbon Footprint?

Carbon footprint measurement is a key metric organizations use to manage climate-related risks and opportunities.

Whether companies are calculating a carbon footprint to comply with new regulations, fulfill investor requests, or differentiate themselves from competitors, the process is similar. **Fundamentally, measuring and disclosing carbon emissions emanate from a need or desire to manage risks related to climate change.**

Climate Risk is Financial Risk

The Taskforce on Climate-related Financial Disclosure (TCFD) divides climate-related risks into two main types: **physical risks** and **transitional risks**.

Physical risks are those that will affect an organization's operations and supply chains through the physical effects of climate change, such as sea-level rise, droughts, floods, and increasingly frequent and severe extreme weather events. In-house legal and other practitioners should consider how these physical risks might affect their companies' facilities and offices and the physical assets of their companies' suppliers and supply chains, and how that may impact their insurance premiums.

Transitional risks are those related to the effects of the transition to a low-carbon economy. In-house legal and other practitioners are likely to be more focused on these risks as they include legal and policy changes, exposure to litigation, and reputational risks. The TCFD divides transition risks into four categories: **policy and legal, technology, market, and reputation**.

Policy and Legal Risks

- Addressing the growing number of carbon disclosure regulatory proposals and mandates, such as the SEC's climate-related disclosure proposal and the EU's Corporate Sustainability Reporting Directive (CSRD).
- Contending with a compounding increase in companies' exposure to litigation, with the cumulative number of climate-related court cases having doubled since 2015.¹

Technology Risk

- Substituting existing carbon-intensive products and services for low carbon ones, such as electric vehicles and renewable energy.
- Investing in new (and potentially risky) climate technologies.

Market Risk

- Rising costs of raw materials or increased price of low carbon raw materials.
- Changing consumer behavior. On average, 69% of nearly 20,000 global consumers surveyed by Ipsos in late 2019 said they had made changes over the preceding few years regarding the products and services they buy or use due to climate change concerns.²

Reputational Risk

- Changing consumer, employee, and stakeholder preferences. The majority of more than 9,000 respondents in six markets globally surveyed by Deloitte in 2020 said they expect CEOs to do more to address environmental and social issues.³
- Stigmatization of sectors, such as mining, fossil fuels, and chemicals.



Understanding these risks is essential to mitigating financial risks. An important tool to assess these risks is climate scenario analysis. Scenario analysis enables an organization to understand how combinations of climate-related risks may affect its businesses, strategies, and financial performance over time, and is an important part of the TCFD's strategy resilience disclosure. Modeling a series of comprehensive and robust scenario analyses on climate-related risks that may affect an organization allows companies to improve their decision-making and gives decision makers more information to build strategies and adapt to the many possible outcomes. With scenario analyses, businesses can assess the physical risks of their facilities, offices, supply chains, and suppliers associated with climate impacts, such as sea-level rises and droughts. Additionally, companies can model transitional risks, such as how their business may be affected by climate regulations or by changes in market and consumer trends; however, data for transition analyses may be more subjective and harder to obtain than empirical climate data.

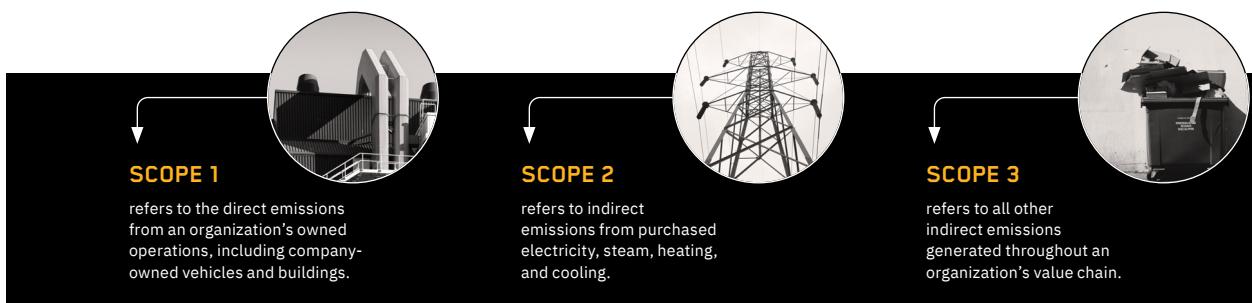
As climate-related risks continue to manifest, taking the first step by measuring and reporting a GHG emissions inventory allows companies to understand how climate change risks may impact their business and where they should focus their decarbonization efforts. Taking this first step can begin to alleviate potential transitional risks, such as those posed by policy changes and potential reputational harm.

What Are Scope 1, 2, and 3 Emissions?

The Greenhouse Gas Protocol supplies GHG accounting standards to measure and manage emissions.⁴ The GHG Protocol's Corporate Accounting and Reporting Standard provides guidance for organizations developing a GHG inventory and organizes emissions into three types: scope 1, 2, and 3. The scopes classify types of emissions from direct and indirect sources related to an organization's operations and value chain.

Scope 1 refers to the direct emissions from an organization's owned operations, including company-owned vehicles and buildings. **Scope 2** refers to indirect emissions from purchased electricity, steam, heating, and cooling. **Scope 3** refers to all other indirect emissions generated throughout an organization's value chain.

Created in 1998 to streamline emissions measurement and help organizations identify opportunities to reduce emissions, the GHG Protocol has become the most widely used GHG accounting standard globally. Many countries and organizations now require or are developing plans to require scope 1 and 2 emissions reporting, whereas requirements for measuring scope 3 emissions may differ depending on the company's jurisdiction, industry, and nature and scope of operations. Understanding the differences between the scopes of emissions is necessary to make accurate assessments.



The Scope 3 Emissions Categories

The GHG Protocol's Value Chain (scope 3) Standard defines scope 3 emissions as all of the indirect emissions in a company's value chain. These emissions are broken down into 15 categories, upstream and downstream, across different stages of the value chain (see Table 1).

Table 1. Scope 3 Categories⁵

⬆️ Upstream Categories	⬇️ Downstream Categories
1. Purchased Goods & Services: Emissions from production of purchased or acquired products and services not captured under other categories.	9. Downstream Transportation & Distribution: Emissions from third-party transportation and distribution of sold products that is paid for by the reporting organization's customers.
2. Capital Goods: Emissions from production of purchased or acquired capital goods.	10. Processing of Sold Products: Emissions from processing of sold intermediate products following the sale. Intermediate products are goods used with another product before end use.
3. Fuel & Energy-Related Activities: Emissions from production and distribution of fuel and energy used by the organization (i.e., upstream for scope 1 and 2).	11. Use of Sold Products: Emissions from direct use of sold goods and services (e.g., charging electronics). Indirect use of sold goods and services (e.g., washing sold clothing) can optionally be included.
4. Upstream Transportation & Distribution: Emissions from third-party transportation and distribution of sold products paid for by the reporting organization.	12. End-of-Life Treatment of Sold Products: Emissions from waste treatment and disposal of sold products at the end of their life cycle. Transportation of waste to the waste treatment facility can optionally be included.
5. Waste Generated in Operations: Emissions from third-party treatment and disposal of waste from a company's controlled or owned operations. Transportation of waste to the waste treatment facility can optionally be included.	13. Downstream Leased Assets: Emissions from operation of owned assets leased to other entities that aren't included in scopes 1 and 2.
6. Business Travel: Emissions from employee transportation for business-related activities in third-party owned or operated vehicles (excluding day-to-day commuting). Hotel stays can optionally be included.	14. Franchises: Emissions from franchise operations. This is applicable for franchisors and includes scope 1 and 2 emissions from franchisees. Scope 3 emissions from franchisees can optionally be included.
7. Employee Commuting: Emissions from employee commutes between their workplace and home. Remote work can optionally be included.	15. Investments: Emissions from investments, also known as financed emissions (e.g., equity investments, debt investments, project finance). This category is mainly for financial institutions, but is relevant for any organization with significant financial investments.
8. Upstream Leased Assets: Emissions from the operation of assets leased by the reporting organization that isn't under their direct control. This often includes leased equipment and small leased facilities.	



Emissions from the supply chain part of the scope 3 value chain are, on average, over 1100% more than the scope 1 and 2 emissions for large companies that report their emissions through the CDP.⁶ But supply chains make up only a small proportion of the scope 3 categories. For some sectors, scope 3 value chain emissions can be substantially more. For financial institutions that report their scope 3 to the CDP, their emissions from their scope 3 Category 15 - Investments are, on average, 700x their scope 1 and 2 emissions.⁷

Scope 3 is often considered the most challenging scope to measure, report, and reduce. Collecting a host of supplier data can appear like an overwhelming, if not impossible, task. However, many scope 3 emissions categories can be accurately estimated with spend-based data that companies already retain for their financial reporting.



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STEP
01

Establish Organizational Boundaries and a Governance Strategy

To define what data to collect, an organization must decide on its organizational and operational boundaries and determine who will be responsible for the governance of climate management. Establishing these initial parameters of who will be responsible, what to measure, and what the targets are, will set an organization up for success. The TCFD describes boundaries and governance as two of the primary methods of contextualizing climate metrics and targets for disclosure.⁸

Organizational and Operational Boundaries

An **organizational boundary** refers to whether the organization is part of an umbrella company or a subsidiary and determines whether the operation is in financial or operational control of the assets as relates to GHG emissions. An **operational boundary** defines the scope of direct and indirect emissions within the organizational boundary.

Organizational and Operational Boundaries (cont.)

What Are Organizational Boundaries?

Equity Share Approach

- The equity share approach of creating an organizational boundary refers to accounting for a proportion of GHG emissions according to the equity share of an operating entity. Therefore, if Company A has a 75% controlling stake and Company B has a 25% minority stake, they will be responsible for the corresponding amount of GHG emissions (75% and 25%, respectively). The equity share reflects the economic risks shared by each company in their share of emissions boundaries.

Control Approach

- Under the control approach, a company is responsible for 100% of the emissions over which it has control. Conversely, it is responsible for 0% of the emissions of companies over which it lacks control. The control approach is further divided into two approaches:

Financial Control

- A company is considered under the financial control boundary if it retains the majority of risks and rewards of ownership of the operation's assets and has the ability to direct the financial and operating policies with a view toward gaining economic benefits from its activities. It does not necessarily mean the company is a majority owner in an organization.

Operational Control

- A company is considered under the operational control boundary when an organization or one of its subsidiaries has full control over the day-to-day operational policies of a company.

What Are Operational Boundaries?

Direct and Indirect Emissions

- Direct GHG emissions are emissions from sources that are owned or controlled by the company. Indirect GHG emissions are emissions that are a consequence of the activities of the company but occur at sources owned or controlled by another company.

Emission Scopes

- To help further delineate operational boundaries, direct and indirect emissions (scope 1 and 2, respectively) are typically the easiest to measure and therefore are most commonly included within the operational boundaries. Scope 3, however, is often the most difficult to measure and thus is less frequently included.

Before collecting data, companies must choose either the equity share approach or the financial control approach, and then determine whether they plan to measure scope 1 and 2 only or whether they intend to also include the scope 3 categories relevant to their business. Understanding these boundaries provides companies with a good foundation for determining what data to collect and from which sources.



Governance

Governance is a critical element of climate risk mitigation. Board oversight activities include determining processes for collecting, managing, and reporting climate data, monitoring climate risks and opportunities, and developing strategies for decarbonization. First, identify which board committee or committees or whether the full board will retain primary oversight for climate-related risks and opportunities for the organization. Then identify which management-level positions or committees should be involved. From there, organizations will want to bring in the various stakeholders responsible for collecting and contributing emissions data across departments such as facilities, legal, information technology, human resources, etc. **The earlier all relevant stakeholders are brought into the process, the better, as emissions data can (and often does) live in several different places and formats within the organization.** Disaggregated data is a common pain point for organizations just starting out on this journey.

STEP
02

Identify Emissions Sources and Collect Data

GHG data collection and reliability are much more straightforward for scope 1 and 2 than they are for scope 3. With direct emissions (scope 1), accurate data collection can consist of measuring the amount of fuel used by the company's vehicle fleet or buildings, for example. Indirect emissions (scope 2) can be obtained by referencing utility invoices or requesting accurate accounts from energy providers.

GHG data acquisition for scope 3 emissions is much more difficult and is collected based on which of the fifteen scope 3 categories are relevant to an organization's operations. The first step is to identify which categories are relevant to the operations of the business. Once organizations have a good idea of the categories most relevant to their business, they can start collecting the most suitable and available data. They can collect this data based on which categories generate the most emissions and pose the most risk to their operations and which data collection efforts are the most time- and cost-effective.

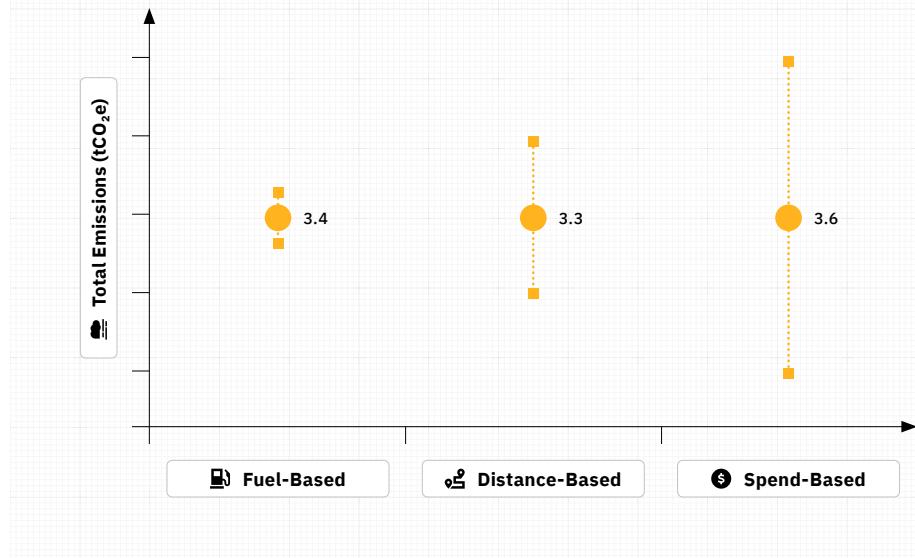
Because of the difficulty of acquiring data relative to scope 3 emissions, organizations can take an incremental approach to measuring and disclosing scope 3 emissions data. Companies may use either spend, distance, or fuel-based activity data to express their scope 3 emissions. An emissions factor (a representative value of an activity that creates emissions as an emissions value in CO₂e) is then applied to each activity, which yields an estimate of the emissions related to that activity. Based on the quality of data collected, the estimate can be less or more accurate. Spend-based formulas rely on industry averages to estimate the scope 3 GHG emissions in the value chain, which makes it much easier to calculate, but less accurate. Distance and fuel-based activities are more accurate ways of estimating scope 3, but are more difficult to source. Figure 1 below shows the discrepancies in the estimation of each activity data type.

The SEC's March 2022 climate disclosure proposal and other regulatory climate disclosure mandates worldwide are generally based on the guidance of the GHG Protocol. Current proposals and mandates generally afford some flexibility, including the validity of spend-based data, based on the inherent difficulties in measuring scope 3 emissions. The SEC's proposal explicitly states, "a registrant could determine the economic value of the goods or services purchased and multiply it by an industry average emission factor (expressed as average emissions per monetary value of goods or services)."⁹ While this is an easier way to collect and estimate emissions, it still poses challenges for companies that may legitimately be concerned about data accuracy and third-party assurance.



Figure 1.

Range of estimates of fuel, distance, and spend-based activity data



Pick the Right Tools for the Job

Emissions data has historically been collected and manually input into complex Excel spreadsheets. Climate Management and Accounting Platforms (CMAP), such as **Persefoni**, are a software-as-a-service carbon accounting solution that can support the upload of climate data in an automated way in bulk or through integrations with other APIs (application programming interfaces), saving time and costs.

CMAPs can support the activity data and emissions factors required for GHG emissions calculations and disclosures across all industries. CMAPs support businesses with scalable, auditable, and transparent sources of the methods used to calculate, measure, and monitor their greenhouse gas emissions footprint.

Companies can assess scope 1, 2, and 3 emissions with a CMAP, as well as set targets to reduce each of them and track progress toward their goals. They can also benchmark their emissions against competitors or industry averages. CMAPs can be shared by companies with their suppliers, which facilitates the allocation of suppliers' scope 1 and 2 data (if and to the extent provided) to a proportion of the organization's scope 3 emissions, reducing the company's scope 3 data collection burden.

Ultimately, CMAPs help companies comply with voluntary and mandated climate disclosures and provide them with a carbon ledger to store their climate data for use in assurance and audits. There are a number of commercial solutions in this rapidly developing market. The Forrester new wave report describes the different players and where they sit in the market.¹⁰



STEP
03

Align With the Relevant Standards

The third step to measuring GHG emissions accurately and mitigating climate risks is ensuring alignment with the most relevant carbon accounting and reporting frameworks. While numerous voluntary and involuntary reporting frameworks exist and are being developed, **global climate disclosure regulations have begun to converge around the GHG Protocol and the TCFD**. The GHG Protocol details how to measure GHG emissions, whereas the TCFD recommends disclosures around the four thematic areas of governance, strategy, risk management, and metrics and targets.

Which reporting framework or frameworks companies align with depends on the context of their business and their basis and objectives for reporting. For example, financial institutions may consult the Partnership for Carbon Accounting Financials (PCAF) to determine their emissions measurement approach, but may decide to report in line with the guidance from the CDP, SASB, or others, depending on their business needs and goals and whether they want to set a climate commitment through the Science-Based Target initiative (SBTi). Some companies may be asked by investors or mandated by regulators to align their reporting with CDP or the TCFD or other standards or frameworks.

Companies that align with the framework or frameworks most relevant to their operations and goals streamline and simplify their carbon accounting process. Among other things, use of relevant frameworks helps companies systematically go through the right steps to accurately measure their GHG emissions data and mitigate possible reputational, legal, and physical risks. Table 2 describes some of the most common frameworks and standards organizations should be aware of when considering a climate disclosure approach. (see Table 2)

Table 2. Major Climate Disclosure Standards and Frameworks

Framework	Description
TCFD	The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015. It provides a common global approach for reporting on the risks and financial impacts of climate change and helps companies align with the goals of the Paris Agreement. The TCFD's initial guidance recommendations for climate-related disclosures were released in a 2017 report. These recommendations were designed to apply to all organizations across all jurisdictions and sectors and to provide investors with reliable, comparable, and forward-looking information on which to base decisions. The TCFD recommends four main areas of focus for disclosure: governance, strategy, risk management, and targets and metrics for assessing climate-related risks and opportunities.
PCAF	The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative created by Dutch banks in 2015 and adopted as a global standard in 2019. PCAF was developed to help financial institutions align their financed emissions (the emissions related to loans, investments, and other financial services) with the targets of the Paris Agreement. The initiative introduced a globally accepted standard for measuring and disclosing financed emissions and has in-depth methodological guidance to measure and disclose the GHG emissions of six asset classes.



(cont.) Table 2. Major Climate Disclosure Standards and Frameworks

Framework	Description
 GREENHOUSE GAS PROTOCOL	<p>Created in 1998, the Greenhouse Gas (GHG) Protocol is the most widely used carbon accounting framework. It provides guidelines for organizations to develop inventories for GHG emissions. Under the GHG Protocol, all emissions are broken down into scopes 1, 2, and 3. Scope 1 and 2 are required to be measured, whereas scope 3 is currently optional.</p> <p>The GHG Protocol is currently considering the need and scope for additional guidance or updates building on the existing set of corporate GHG accounting and reporting standards for scope 1, scope 2, and scope 3 emissions. The updates will aim to ensure harmonization and alignment with accounting regulations, such as the disclosure initiatives of the SEC and EU.</p>
	<p>The Sustainability Accounting Standards Board (SASB) provides guidance for investors and companies on the identification of financially material sustainability information for disclosure purposes. The widely used or consulted SASB standards are now a part of the IFRS Foundation. The IFRS's International Sustainability Standards Board (ISSB) was created to provide a comprehensive and streamlined reporting framework for sustainability reporting globally. The ISSB plans to build on the SASB standards in its development of its own standards.</p>
	<p>Created in 2000, CDP (formerly known as the Carbon Disclosure Project) manages the international climate disclosure system that helps states and regions, cities, investors, and companies manage their effect on the climate.</p> <p>CDP gives customers, investors, and other stakeholders a path to request environmental information from companies, cities, states, countries, and public authorities.</p> <p>Since 2000, organizations have used the CDP to report on their climate impacts, risks, and opportunities. With more than 13,000 organizations disclosing in 2021, it has become the primary method for investors to request climate disclosures from their portfolio companies.</p>
 SCIENCE BASED TARGETS	<p>The Science Based Target initiative (SBTi) defines and promotes best practice in science-based emissions target setting.</p> <p>The SBTi was developed as a collaborative initiative between CDP, the World Wild Fund for Nature, the World Resources Institute, and the United Nations Global Compact as a call to action and to guide companies in reducing their GHG emissions in line with the goals of the Paris Agreement.</p> <p>It was created in 2015 to address the challenge of limiting global warming to well below 2°C above pre-industrial levels and staving off the worst effects of climate change. The SBTi aims to show the private sector how to take climate action and build science-based targets which exploit the co-benefits of transitioning to a decarbonized world.</p>



STEP
04

Create a Climate Strategy

Once an organization understands the extent of its emissions and their origination, it is easier to develop climate risk mitigation strategies and to harness opportunities. The TCFD recommends that a climate strategy include the actual and potential impacts of climate-related risks and opportunities on an organization's business, strategy, and financial planning.¹¹ Strategy disclosures should describe risks and opportunities over the short, medium, and long term, as well as resilience under different climate-related scenarios. To meet the TCFD recommendations and address the legal risks of disclosure, climate strategies should address how climate risks and opportunities are integrated into decision-making and planning assumptions.

There are several key actions to include when developing a climate strategy:

1. **Benchmarking:** Understand what your peers/competitors/value chain partners are doing and assess where your organization wants to be.
2. **Stakeholder Engagement:** Understand what external stakeholders are asking for and gain internal buy-in. Set out the governance and responsibility for your strategy.
3. **Materiality Assessment:** Understand material impacts to your organization and which areas to target (identify hotspots and opportunities).
4. **Target-Setting:** Evaluate which framework or frameworks is/are most suitable for your organization and set goals/targets. Steps could include measuring your carbon footprint, modeling emissions reduction, and feasibility assessment.
5. **Reduction Plan:** Create a plan for reducing emissions based on insights from a GHG inventory. This could include reduction initiatives, renewables procurement, carbon neutrality, value chain engagement, and efficiency improvements (operations and product).

When companies embark on climate strategy development, they commonly scan the horizon to see what their peers and competitors are doing and analyze what their stakeholders are asking for. Prior to setting targets, companies usually go through a benchmarking exercise to see what their peers are measuring and the types of targets they have established so that they make an informed decision. Software tools can help with peer benchmarking by assessing how companies' carbon footprints compare to industry averages, thus giving them a better idea of whether they are a leader or laggard or fall somewhere in between.

Materiality assessments can identify opportunities to reduce emissions, such as at a facility, and modeling can show how emissions would be affected by reduction initiatives (for example, retrofitting existing systems or switching to renewable energy), as well as determine what kind of timeline and goals are reasonable to achieve in the allotted time frame. Modeling reduction impacts on total emissions helps companies understand material impacts on their organization and which areas to target.



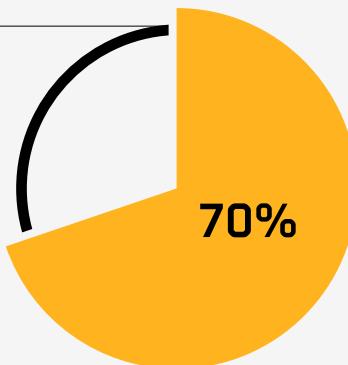


Signify's energy efficient lighting products and systems enable their customers to enjoy a superior quality of light, make lives safer, businesses more productive, and cities more livable.

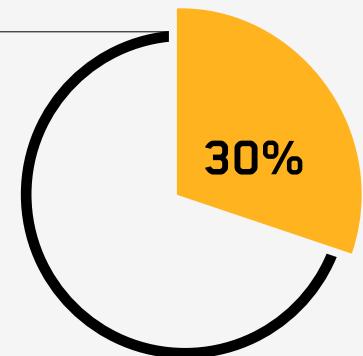
Signify's science-based targets claim to "reduce absolute scope 1 and 2 GHG emissions by 70% by 2030 from 2015 base year and reduce absolute scope 3 GHG emissions from the use of sold products by 30% by 2030 from 2015 base year." Such a strategy involves a thorough understanding of emission hotspots, as well as a plan to improve and iterate processes and track and measure progress over time. Equally important is establishing a core team or responsible party to oversee the strategic development and implementation. Some companies also link compensation to performance. In Signify's case, executive compensation is tied to sustainability performance. The company achieved carbon neutrality with 100% renewable energy by September 2020.¹²

Signify's Science-Based Targets:

Scope 1 & 2
GHG emissions
reduced by
year 2030



Scope 3
GHG emissions
reduced by
year 2030



In addition to disclosure, organizations may consider making a public commitment to a reduction target with an organization such as the Science-based Targets initiative (SBTi), Climate Pledge, or RE100. Doing so grants companies access to the resources these organizations provide, such as tools, guides, information, and a network of like-minded peers to share best practices. Committing to a target through a reputable independent third party may also reduce reputational risk, improve ESG ratings, enhance access to capital, and add credibility to an organization's carbon reduction claims.

Common advice for establishing a climate strategy is to start with the low-hanging fruit. In most cases, that means the emissions from the activities under the organization's control (i.e., scope 1 and 2). However, depending on an organization's sector or industry, that could look a bit different than what they might expect. For example, a small financial institution with one office should consider focusing its climate strategy on its investments and "financed emissions" (scope 3) rather than those from its direct and indirect operations (scope 1 and 2) for the biggest



impact, whereas a manufacturing company may be better served by spending time on reducing its scope 1 and 2 emissions and those of its suppliers. **Therefore, companies should target the areas where they can have the most significant impact on total emissions and tell the story of their progress to internal and external stakeholders to continue and improve momentum.**

Climate strategies can also drive innovation and reveal opportunities for new products, services, and processes that can lead to cost savings, business optimization, and reputational gains, among other benefits. As companies continue to make progress, they will need to justify the investments and operational changes they make in their climate strategy. The co-benefits, such as lower energy costs, and the return on investment of their changes, should also be included in the company's climate strategy disclosure. Building and disclosing a climate strategy allows in-house legal departments and other practitioners to assess the complex set of challenges that climate-related risks pose.

STEP
05

Report Your Carbon Footprint

There are several channels through which an organization can report its carbon footprint: an ESG or sustainability report, through the CDP, a dedicated TCFD-aligned climate report, corporate website, SEC filings, etc.

Climate disclosures have converged around the TCFD and CDP in recent years. Most global climate disclosure mandates are centered around the TCFD recommendations. The majority of investors use the CDP questionnaire (which is also in alignment with the TCFD recommendations) to request climate information from their portfolio companies. In 2022, more than 680 financial institutions worth over \$130 trillion in assets requested environmental data through CDP from 10,000+ companies.¹³

Although a lot of reporting has coalesced around these two frameworks, companies should evaluate all reporting frameworks, such as SASB, the Global Reporting Initiative (GRI), and others. Assessing all frameworks allows companies to be strategic about how they disclose their climate information, which may mean an approach that does not include CDP or TCFD reporting.

To ensure companies are reporting the right information at the right time, companies' legal teams and other in-house practitioners must keep abreast of the legislative developments in their respective jurisdictions and consider aligning their reporting with the framework or frameworks most relevant to their business needs. However, **with the majority of regulatory climate disclosure mandates assembling around the TCFD recommendations and investors requesting climate disclosures through the CDP, the reporting guidance of these two frameworks may be the best place to start.**

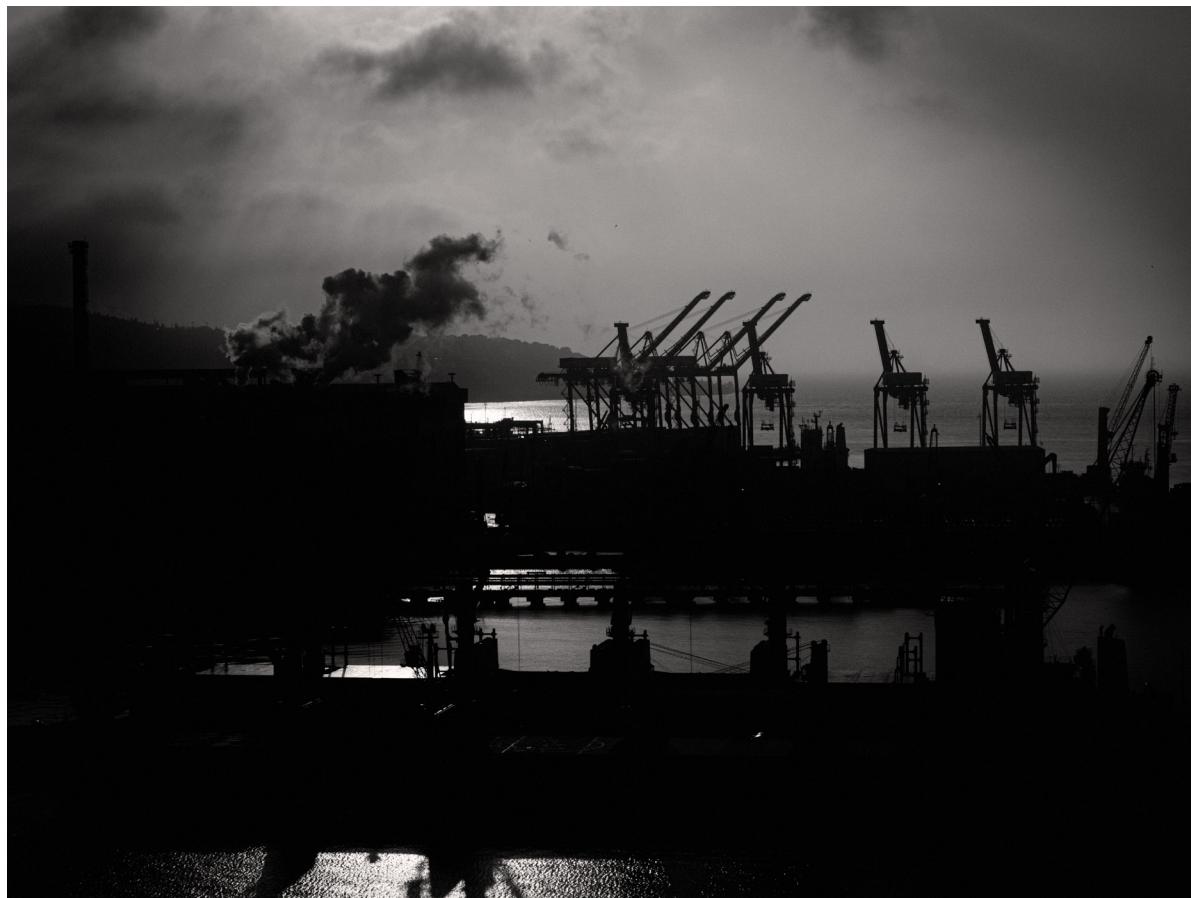


Summary

Climate disclosures are an increasingly essential part of doing business. Many investors, regulators, and other stakeholders now see the reporting of accurate and auditable climate data and the development of a comprehensive climate strategy as an essential part of mitigating risk and exploiting opportunities. Organizations should consider getting ahead of the curve and beginning their climate disclosure journeys today.¹⁴

As climate issues increasingly create legal, regulatory, and reputational risk for companies, the role of the legal team and other in-house practitioners will be key.¹⁵ Legal departments have their work cut out, as they balance workload increases with proposed and new regulations, stakeholder pressure, and competing internal business goals. To reduce the workload and ensure fully auditable and transparent data collection, management, and calculations, the use of software such as CMAP can provide tremendous value.

This guide is designed to assist companies in making their first climate disclosure or attempting to develop more robust, comprehensive disclosure. Measuring, managing, and reporting on climate information the first time is always the most challenging as an organization's strategies, systems, and governance are developing. However, as trends for more frequent and comprehensive climate disclosures accelerate, companies that start sooner rather than later will be better positioned to meet climate-related compliance and business objectives and take advantage of evolving opportunities.



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- GHG Protocol** (2011)—Corporate Value Chain (scope 3) Standard
- IPSOS** (2019)—Climate Change and Consumer Behavior
- SEC** (2022)—SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors
- Signify** (2021)—Doubling the pace of the Paris Agreement

¹ Climate Neutrality Forum, [Sensitive Intervention Points For Achieving Carbon Neutrality](#) 13 (Nov. 2021)

² IPSOS, [Climate Change and Consumer Behavior](#) 2 (Dec. 2019)

³ Deloitte, [Consumers Expect Brands to Address Climate Change](#) (Apr. 20, 2021)

⁴ [The Greenhouse Gas Protocol](#)

⁵ GHG Protocol, [Corporate Value Chain \(Scope 3\) Standard](#) (2011)

⁶ CDP [Engaging The Chain: Driving Speed And Scale CDP Global Supply Chain Report 2021](#) 3 (Feb. 2022)

⁷ CDP [Finance sector's funded emissions over 700 times greater than its own](#) (Apr. 28, 2021)

⁸ TCFD [Task Force on Climate-related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans](#) 12 (Oct. 2021)

⁹ SEC [Proposed rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors](#) 193 (Mar. 21, 2022)

¹⁰ See Forrester, [Forrester New Wave Sustainability Management Software](#) (Feb. 24, 2022) (describing the different players and where they sit in the market)

¹¹ TCFD, [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#) 18 (Oct. 2021)

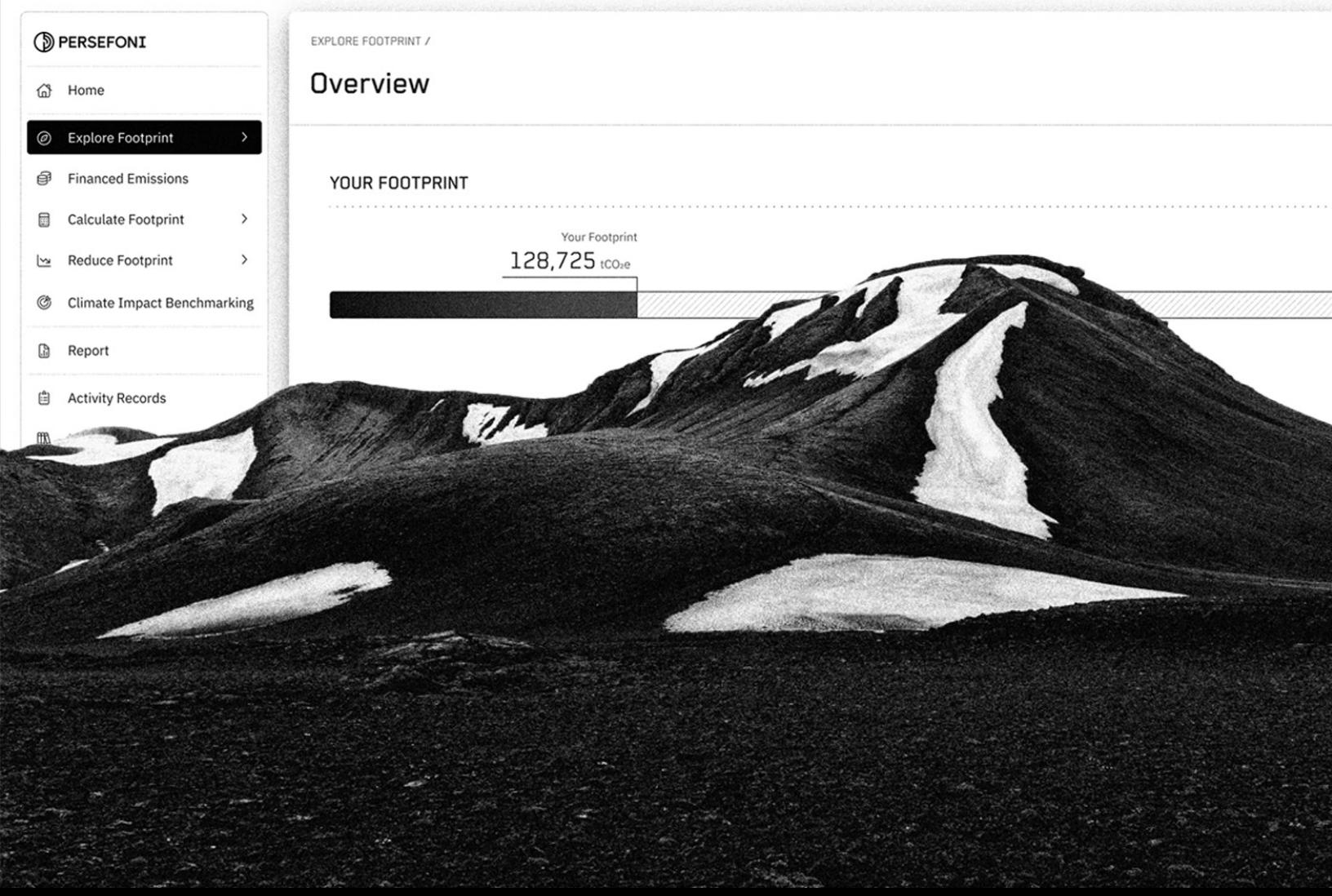
¹² Signify, [Doubling the pace of the Paris Agreement](#) (2021)

¹³ CDP, [Companies requested by CDP's capital markets signatories](#) (Mar. 14, 2022)

¹⁴ CDP, [Companies requested by CDP's capital markets signatories](#) (Mar. 14, 2022)

¹⁵ EY [The General Counsel Imperative: How the law department is key in unlocking your sustainability strategy](#) (Apr. 6, 2022)





The image shows a vast, dark landscape dominated by a range of mountains. The peaks are partially covered in snow, with bright patches of ice and snow contrasting against the dark rock. The foreground is a dark, textured field, possibly volcanic in origin. The sky is clear and light, providing a stark contrast to the dark terrain.



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128,725 tCO₂e

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