

THE CLIMATE NEUTRAL CERTIFIED STANDARDS

For brands certifying in 2022.

Companies must follow the Climate Neutral Certification Standards (CNCS) in order to receive the Climate Neutral Certified label. This document describes the requirements that apply to all brands seeking certification during calendar year 2022 for their 2021 emissions.

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1. Greenhouse Gas Measurement Requirements

a. Measurement Boundaries

Brands seeking certification in 2022 are required to count their calendar year emissions from 2021. The boundaries are based on the widely recognized Greenhouse Gas Protocol and include all of Scope 1 emissions, all of Scope 2 emissions, and 8 out of the 15 categories of Scope 3 emissions, as shown below.

Table 1: Climate Neutral measurement boundary requirements

| Scope 1: Direct emissions | Scope 2: Indirect emissions | Scope 3: Supply chain emissions |
|--------------------------------------|--|--|
| Fossil fuels used at your facilities | Electricity used at your facilities | 3.1 Purchased goods and services |
| Fuel consumed by your vehicles | Steam bought and used at your facilities | 3.2 Capital goods |
| | | 3.3 Upstream emissions from fuel and energy |
| | | 3.4 Upstream transportation & distribution |
| | | 3.5 Waste from operations |
| | | 3.6 Business travel |
| | | 3.7 Employee commuting |
| | | 3.9 Downstream transportation and distribution |
| | | |
| | | Not included: 3.8 Upstream leased assets 3.10 Processing of sold products 3.11 Use of sold products 3.12 End-of-life treatment of sold products 3.13 Downstream leased assets 3.14 Franchises 3.15 Investments |

b. GHG Measurement and Verification Requirements

While all GHG estimates must follow the boundaries defined in Table 1, how you estimate your footprint depends on your annual revenues.

Table 2: GHG Measurement Requirements

| Large brands: 2021 revenues above \$100 million | Medium brands: 2021 revenues \$5-100 million | Small brands: 2021 revenues below \$5 million |
|--|--|---|
| <p>Large brands must hire a third-party consultant to verify their footprint calculation.</p> <p>The underlying calculation can use the Climate Neutral Brand Emissions Estimator (BEE), a third-party calculator, or an internally-built tool, as long as it is based on the GHG Protocol standard and meets Climate Neutral boundary requirements.</p> | <p>Estimate your footprint using the Climate Neutral Brand Emissions Estimator (BEE). A report from a recognized third-party carbon accounting firm can be used instead if it is based on the GHG Protocol standard and meets Climate Neutral boundary requirements.</p> | <p>Small brands use an emissions estimate generated by Climate Neutral using sector, geography, financial, and other firmographic data.</p> |

Small brands will submit basic operational data via an online form. For medium and large brands, once GHG footprint estimates have been completed, Climate Neutral staff will review your documentation to verify results.

Table 3: Medium and Large Brand Verification Requirements

| Large brands: 2021 revenues above \$100 million | | Medium brands: 2021 revenues \$5-100 million | |
|---|--|---|--|
| <i>If you measure your emissions using the BEE, here's what you need to submit:</i> | <i>If you don't use the BEE, here's what you need to submit:</i> | <i>If you measure your emissions using the BEE, here's what you need to submit:</i> | <i>If you don't use the BEE, here is the documentation we require:</i> |
| A complete measurement report from the BEE and a third party verification report. The verification report must verify your data inputs. | A measurement report and a third party verification report. The verification report must verify your inputs, methods, boundaries, and tool. Verifications must follow one of these standards: ISO 14064-3, ISAE3000, ISAE 3410, or Corporate GHG verification guidelines from ERT. | A complete measurement report from the BEE. | <p>1) A final calculation of your total Scope 1-3 emissions, reported in tCO₂e and broken down by GHG Protocol categories.</p> <p>2) A report that clearly describes your methodology, including: an index of all operational data used, citations for each GHG emission factor applied, and a clear description of boundaries and materiality threshold.</p> |

c. Requirements for Third-party Verifiers

Third-party verifiers (e.g. environmental auditors or consultants) must be able to demonstrate the following:

- At least five years of corporate history working in carbon accounting and/or lifecycle analysis at product and company levels, with at least 25 documented client engagements involving corporate or product level footprints.
- At least five years of corporate history auditing and/or verifying corporate GHG footprints of companies with over \$100 million in annual revenue.
- Ability to demonstrate independent control and ownership from the company under review to avoid any conflicts of interest.
- Ability to act as an unbiased third party in the verification process.
- At least five years of corporate history with one or more of the third-party verification standards referenced in Table 3 (e.g. ISO 14064-3).

All verification reports should follow these five common principles of carbon footprint verification: relevance, completeness, consistency, transparency, and accuracy.

d. Counting Renewable Energy Purchases

Appropriate power purchase agreements (PPAs), renewable energy certificates (RECs), and guarantees of origin (GOs) may be used to make “market-based” adjustments to the total emissions from your electricity consumption.

Climate Neutral requires that vintages of any energy attribute certificates used for compliance fall within the three years up to and including the certification year. For example, when considering 2021 Scope 2 emissions, you must purchase RECS or GOs with a vintage of 2019 or later. All RECs and GOs used for compliance must also take place on the same grid as your Scope 2 electricity consumption.

If there is a question about the eligibility of renewable energy instruments in the case of your pending certification, Climate Neutral will reference the GHG Protocol guidance.

2. Procuring Eligible Carbon Credits

Once you successfully measure your brand-level emissions and adjust them for any PPAs, RECs, and/or GOs, you must purchase at least as many carbon credits as the total remaining emissions. All carbon credits must meet the following criteria:

a. Third-party Verification

Carbon credits must be verified through one of the following standards: Gold Standard, Verified Carbon Standard, Climate Action Reserve, and American Carbon Registry.

b. Vintage Year Restriction

With the exception of forestry and land-use, all carbon credits must represent avoided emissions or removals from within the four years up to and including the certification year. For brands getting certified in 2022 for a 2021 emissions footprint, this includes any vintage year from 2018 through 2021. For forestry and land-use projects, all credits must represent emission reduction from within the seven years up to and including the certification year, which includes any vintage year from 2015 through 2021. There are no requirements for project start dates as long as the credits meet the vintage year requirement.

c. Portfolio Requirements

Climate Neutral will track carbon credit purchases based on the project categories and types listed Table 4. All carbon credit purchases must be from the approved project types in Table 4. Brands are encouraged to follow the suggested portfolio allocation targets.

Table 4: Eligible Carbon Credit Types and Categories

| Project Category | Project Type | Suggested Portfolio Allocation Targets |
|---|--|--|
| Avoided Emissions from Energy and Industry | Chemical Processing/Industrial Manufacturing | 59% or less |
| | Cookstoves | |
| | Energy Efficiency | |
| | Methane Capture/Landfill Gas | |
| | Renewable Energy | |
| | Small-Scale Hydro* | |
| | Transportation | |
| | Waste | |
| | Water Filtration | |
| Emissions Avoided or Removed From Nature | Agriculture | 40% or more |
| | Blue Carbon | |
| | Forestry (Afforestation, Avoided Deforestation, IFM) | |
| | Soil Carbon Enhancement | |
| Engineered Removals | Carbon Capture | 0% |
| | Enhanced Weathering | |
| | Mineralization | |

| Excluded Project Types | HFC-23 Destruction | 0% |
|------------------------|---|----|
| | N ₂ O Destruction (adipic acid only)** | |
| | Large-scale Energy Efficiency in non-LDCs*** | |
| | Large-scale Hydro | |

* "Small-scale" follows UN CDM definitions (i.e., < 15MW for renewables and < 60 GWh in annual improvements from energy efficiency)

** Prohibition does not apply to U.S.-based projects listed on Climate Action Reserve.

*** A list of the UN's Least Developed Countries (LDCs) can be found [here](#).

You are required to report on the Project Category for all credits purchased. You are also encouraged, but not required, to follow the Suggested Portfolio Allocation Targets.

d. Requirements for Procuring and Documenting Carbon Credit and Renewable Energy Purchases

All small brands must procure carbon credits through Climate Neutral. Medium and large brands are encouraged to purchase credits through Climate Neutral, but have the option to purchase qualifying credits directly from third party providers.

Brands purchasing carbon credits directly from third party providers must submit a single .xls file that contains the following information for all credits purchased:

| Project Name | Project type | Number of credits purchased | Vintage year of credits | Verification standard | Project Location | Seller | Price Per Tonne |
|---------------------|--------------|-----------------------------|-------------------------|-----------------------|------------------|---------------|-----------------|
| e.g. Honduras Hydro | Small hydro | 30,000 | 2018 | VCS | Honduras | Carbon Broker | \$7.00 |

In addition, you must provide the following for all carbon credits that you purchase:

- A. Registry report (via hyperlink or screenshot) showing carbon credits retired on your behalf, plus a report of the average price paid per credit

OR

- B. Fully executed purchase contract, payment receipt for credits purchased, and a letter attesting that they were retired on your behalf. A valid purchase contract must indicate either (a) that the brand has completed a purchase of all required carbon credits or (b) has a contractual obligation to complete the purchase of all required credits within 12 months. Installment purchases should be spaced at least quarterly and weighted evenly across the 12 month period.

Purchases of renewable energy certificates must be substantiated with the following information:

| Type of contractual instrument | Quantity and units purchased | Country where renewable energy was generated |
|--|------------------------------|--|
| <i>e.g. Renewable Energy Certificate (REC)</i> | <i>5,000 MWh</i> | <i>United States</i> |

In addition, you must provide all relevant contracts, attestation documents, certificates, and payment receipts associated with your renewable energy purchase(s).

3. Reduction Requirements

All brands are required to create a Reduction Action Plan using the Climate Neutral template that shows you are working on internal emission reductions. Action plans must include a minimum of two measures that will reduce emissions within the next 12-24 months. Medium and large brands (annual revenues over \$5 million) must identify at least one reduction measure that applies to a brand's Scope 3 emissions. For renewal certifications, reduction plans must include reports on progress made against actions included in the prior year's plan.

Brands with over \$100m in annual revenue are required to create a science-aligned reduction target for 2030. This target applies to all emissions included in Table 1. The target can be a default target of 50% absolute reductions based on a 2019 baseline, or a target approved under the [Science-based Targets](#) initiative, or a well documented science-aligned target that is sector specific. Brands with less than \$100m in annual revenues are strongly encouraged to set 2030 science-aligned targets.

4. Brand Profile Directory

Climate Neutral requires that certified brands publicly disclose the following information on the Climate Neutral website:

- 1) Total annual GHG footprints calculated (aggregated for small brands; broken down by Scope 1, 2, and 3 emissions for medium and large brands)
- 2) Total annual investment (in USD) in carbon removal and avoidance credits as well as the project types supported

- 3) Summary of reduction action plans
- 4) Progress toward past reduction action plans

In certain cases, brands may be allowed to propose alternative formats for their Brand Profile if there is a legitimate extenuating reason for doing so.

5. Standards Transition Period and VER Eligibility Window

Climate Neutral reviews and updates the Standards annually. All companies certifying for the first time must comply with the version of Climate Neutral's standards for the applicable certification year.

For significant changes to the standards, Climate Neutral may specify a transition period that applies to recertifying brands. The transition period will be defined during the annual standards review process.

Transition periods will not apply to changes to standards for carbon credits (VERs). Companies that enter into multi-year purchases for eligible carbon credits while pursuing Climate Neutral certification can retire all of the contracted credits to meet future certification requirements, provided they meet the Standards during the year of contracting. Additional purchases must meet the current year's standards in the year of contracting.

The intent of the transition period and VER eligibility window is to provide better certainty to encourage long-term planning by certified brands.