



# The Climate Neutral Certified Standards

Version 2019 for Certifying in 2020

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 for 2019 emissions during the 2020 certification cycle, and outlines requirements for:

1. Brand-level greenhouse gas footprint estimation
2. Procuring eligible carbon credits
3. Emission reduction activities within corporate boundaries



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## 1. BRAND-LEVEL GREENHOUSE GAS FOOTPRINT ESTIMATION

### Footprint Boundaries

Brands seeking certification in 2020 are required to count their calendar year emissions from 2019. Our requirement is based on the widely recognized Greenhouse Gas Protocol and includes all of Scope 1 emissions, all of Scope 2 emissions, and eight out of the 15 categories of Scope 3 emissions, as shown below.

| Scope 1:<br>Direct Brand Emissions   | Scope 2:<br>Indirect Brand Emissions     | Scope 3:<br>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 and distribution   |
|                                      |  | 3.5 Waste from operations  |
|                                      |  | 3.6 Business travel  |
|                                      |  | 3.7 Employee commuting   |
|                                      |  | 3.9 Downstream transportation and distribution   |
|                                      |  | <b>Not included:</b><br>3.8 Upstream leased assets<br>3.10 Processing of sold products<br>3.11 Use of sold products<br>3.12 End-of-life treatment of sold products<br>3.13 Downstream leased assets<br>3.14 Franchises<br>3.15 Investments |



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## How you estimate your carbon footprint depends on your annual revenues

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

| <b>Large Brands :</b><br><b>2019 revenues above \$100 mil</b>  | <b>Medium Brands:</b><br><b>2019 revenues \$5-\$100mil</b>  | <b>Small Brands:</b><br><b>2019 revenues below \$5 million</b>   |
|--|---|--|
| <p>Large brands must hire a third-party consultant to verify their footprint calculation</p> <p>The underlying calculation can be based on 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 from Climate Neutral's BEE based on sector, geography, and financial data (revenues and costs)</p> |

### Counting Renewable Energy Purchases

Appropriate power purchase agreements (PPAs), renewable energy certificates (RECs), and guarantees of origin (GOs) may be used to reduce the total footprint of your electricity consumption. If there is a question about the eligibility of these instruments in the case of your footprint, Climate Neutral will reference the GHG Protocol guidance.

### Verification Requirements for Greenhouse Gas Footprint Estimates

For small brands, some basic operational data and a letter of attestation are all that is needed.

For medium and large brands, once GHG footprint estimates have been completed, Climate Neutral staff will review your documentation to verify results. Here is the documentation we require:

- A final calculation of your total Scope 1-3 emissions, reported in tCO<sub>2</sub>e and broken down by GHG Protocol categories
- If you used the BEE: the .csv export of your data
- If you used your own model: a description of your estimation methodology and a report including the sources of your GHG emission factors as well as operational data used to make your calculations
- If required: a report from a third-party verification firm



# The Climate Neutral Certified Standards

## 2. PROCURING ELIGIBLE CARBON CREDITS

### Carbon Credit Eligibility Criteria

Once you successfully estimate 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 footprint amount. All carbon credits must meet the following criteria:

### Third-party Verification

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

### Vintage Year Restriction

All carbon credits must represent emission reductions from within the five years up to and including the certification year. For brands getting certified in 2020 for a 2019 emissions footprint, this includes any vintage year from 2015 through 2019. There are no requirements for project start dates as long as the reductions meet the vintage year requirement.

### Portfolio Requirements

All carbon credit purchases must meet the following portfolio requirements:

|                        | Max Allocation | Project Type  |
|------------------------|----------------|---|
| <b>Tier 0 (Banned)</b> | 0%             | <ul style="list-style-type: none"> <li>· Large Hydro (&gt;20MW)</li> <li>· HFC-23 Destruction</li> <li>· N2O destruction</li> </ul>   |
| <b>Tier 1</b>          | 30%            | <ul style="list-style-type: none"> <li>· Renewable Energy</li> </ul>  |
| <b>Tier 2</b>          | 70%            | <ul style="list-style-type: none"> <li>· Energy Efficiency</li> <li>· Waste</li> <li>· Transportation</li> <li>· Chemical Processes/ Industrial Manufacturing</li> </ul>  |
| <b>Tier 3</b>          | 100%           | <ul style="list-style-type: none"> <li>· Avoided deforestation</li> <li>· Tree planting</li> <li>· Cookstoves</li> <li>· Agriculture</li> <li>· Water filtration</li> <li>· Small hydro (&lt;20MW)</li> <li>· Landfill methane</li> </ul> |



# The Climate Neutral Certified Standards

## Requirements for Procuring and Documenting Carbon Credit and Renewable Energy Purchases

All small brands must purchase carbon credits using Climate Neutral’s pooled procurement. Medium and large brands have the option to use Climate Neutral’s pooled procurement or purchase a qualifying portfolio on their own.

Brands purchasing carbon credits on their own must provide a single **signed** .pdf file that contains the following information for all credits purchased:

| Name and type of project | Project Type | Number of credits purchased | Vintage year of credits | Verification standard |
|--------------------------|--------------|-----------------------------|-------------------------|-----------------------|
| e.g. Honduras Hydro      | Small hydro  | 30,000                      | 2017                    | VCS                   |

In addition, you must provide the following for each batch of carbon credits you purchase:

- A.** Registry report (via hyperlink or screenshot) showing carbon credits retired on your behalf (preferred), 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

Brands who have purchased renewable energy to reduce emissions from electricity usage (“market-based” Scope 2 emission reductions) must provide the following information:

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

| Type of contractual instrument          | Amount of renewable electricity purchased | Country where renewable energy was generated |
|---|---|--|
| e.g. Renewable Energy Certificate (REC) | 5,000 MWh                                 | United States                                |



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### 3. EMISSION REDUCTION ACTIVITIES WITHIN CORPORATE BOUNDARIES

All brands are required to create a Reduction Action Plan using the Climate Neutral template that shows they are working on internal emission reductions. Action plans must include a minimum of two measures that will reduce emissions within corporate boundaries within the next 12-24 months.

For renewal certifications, reduction plans must include reports on progress made against actions included in the prior year's plan.