Carbon Accounting

Presented by Beau Bartlett, Trace and Fiona Hawkins, James Cowper Kreston

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Maximise your potential

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→ Carbon & Net Zero 101

→ What is driving requests for carbon data?

→ Why does my business need to prepare?

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Carbon & Net Zero 101

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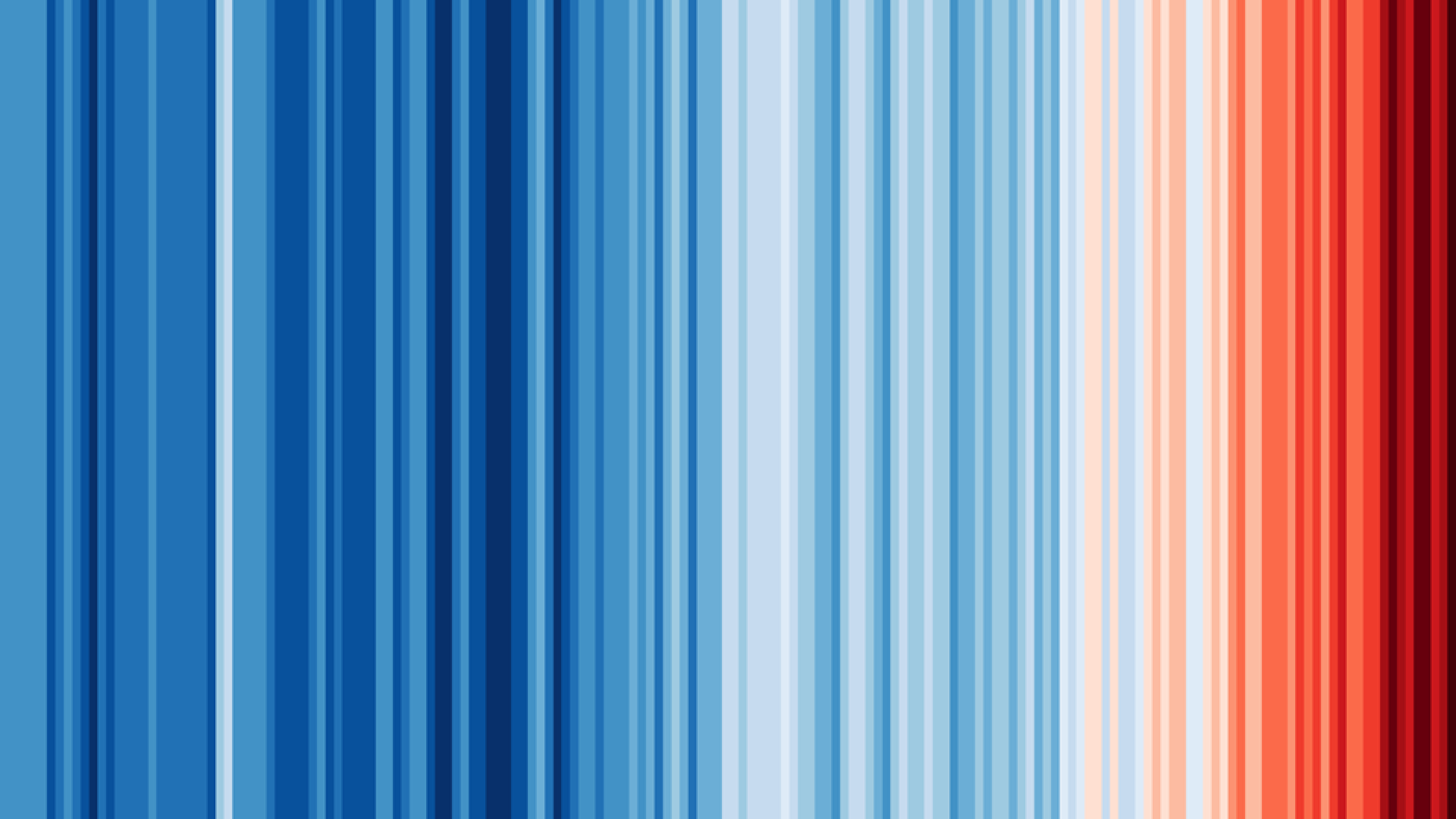


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We must reach <u>net zero</u> emissions ~~by 2050~~ ASAP to avoid catastrophic climate change*

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*UN Intergovernmental Panel on Climate Change (IPCC) report 2018

Climate reporting momentum & setbacks

United Kingdom

SECR & UK SRS

Switzerland

Federal Act on Climate Protection Goals, Innovation and Strengthening Energy Security

United States

SEC's climate disclosure rules on hold but some states pushing ahead

EU

Non-Financial Reporting Directive (NFRD)

Corporate Sustainability Reporting Directive (CSRD)

Carbon Border Adjustment Mechanism

Australia

Mandatory Climate Reporting

New Zealand

Climate-related Disclosure Regime (CDR)

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Climate ambition in the UK

The Climate Change Act commits the UK government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050.

The Climate Change Act requires the government to set legally-binding 'carbon budgets' to act as stepping stones towards the 2050 target.

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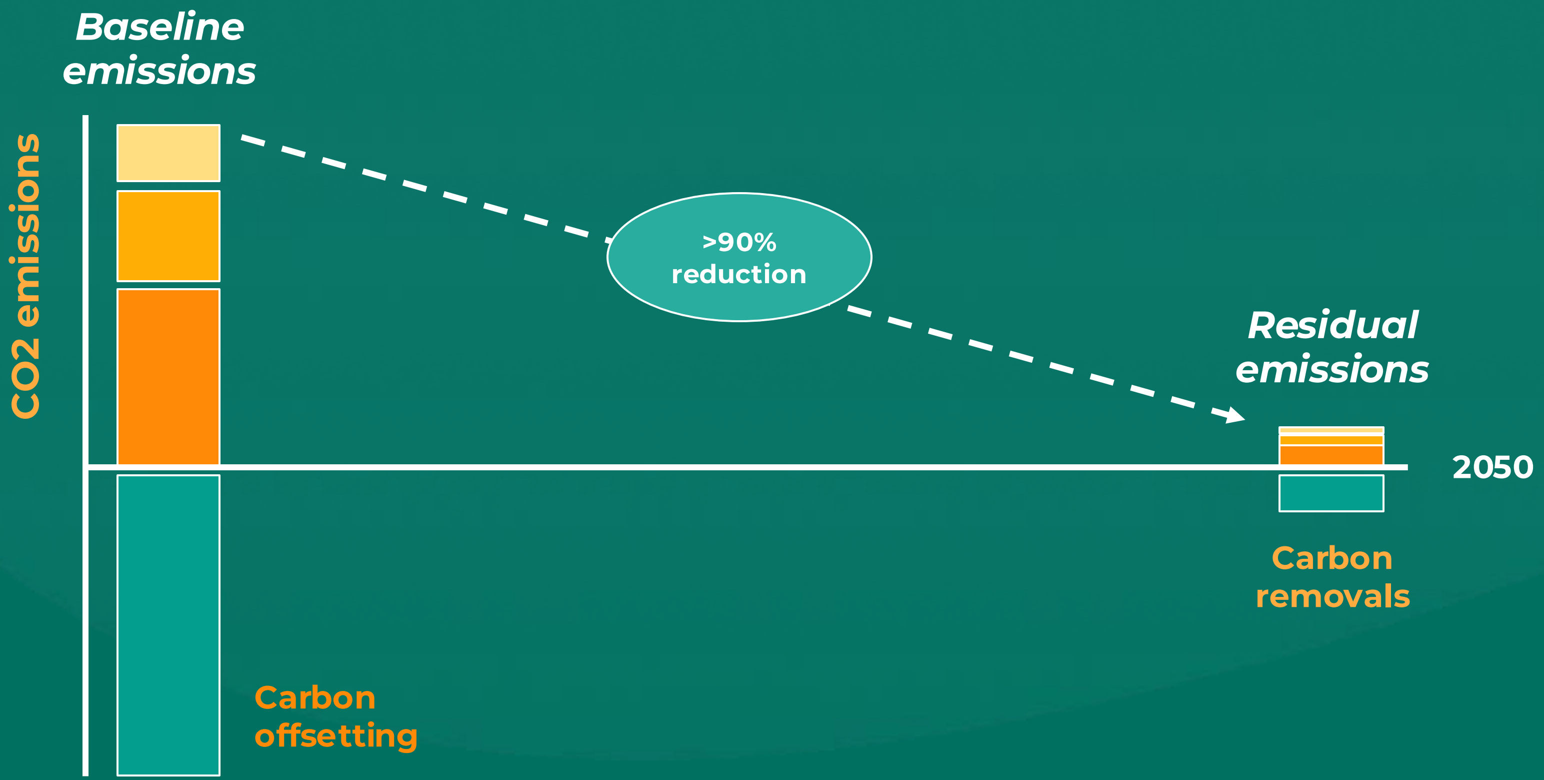
GOV.UK

How do we get to Net Zero?




6 essential steps to achieve
net zero emissions
1
Measure Baseline
2
Set Targets
3
Commit & Share
4
Plan & Reduce
5
Report
6
mitigate
Repeat until emissions have reduced by 90%

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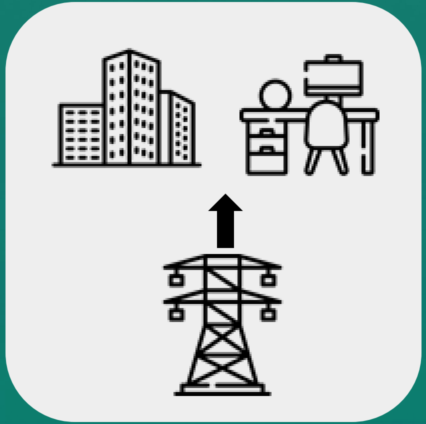
How are emissions categorised?

GREENHOUSE GAS PROTOCOL

Scope 1
Direct emissions

Scope 2
Indirect emissions



Scope 3
Indirect-supply chain emissions

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Demand for Carbon Data

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46% of companies already asked to report on carbon

£50bn
market by
2030*

Regulation

Supply chain

Values

*UK Net Zero Census

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The increasing demand for carbon data

Legally binding
Country level commitment to Net zero

Regulation

Policy

Corporate reporting

Supply chain reporting requirements

SME reporting at scale

Regulation

SECR, TCFD, CSRD, ISSBs
UK SRS based on ISSBs coming soon. Likely to replicate Aus market, 1 year behind hitting companies of 100 staff in 2027

Policy

UK Gov PPN 06/21 currently live across NHS supplychain. Now required to provide a Carbon Reduction Plan

Rolling out more widely to all other gov departments including homeoffice, police, defense

Corporate reporting

Corporates are required to report via regulation, this includes scope 3 emissions which is your supply chain. Generally 80% of emissions sit in scope 3

SME reporting

SMEs are required to report on their scope 1,2,3 emissions. The requirement for this data comes from sitting in the supply chain of a larger corporation or gov department

Australian Government
The Treasury

Climate reporting rollout example: Australia

Group 1 - 1 Jan 2025	Group 2 - 1 July 2026	Group 3 - 1 July 2027
Two of the following • > 500 employees • > $1bn consolidated assets • > $500m revenue	Two of the following • > 250 employees • > $500m consolidated assets • > $200m revenue	Two of the following • > 100 employees • > $25m consolidated assets • > $50m revenue

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Source: Treasury https://treasury.gov.au/sites/default/files/2023-06/c2023-402245.pdf

Supply chain requirements

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Key drivers of supply chain pressure for carbon reporting

Public Policy

Corporate targets

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Public policy - PPN 06/21

Supply chain pressure in the public sector

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Procurement Policy Note (PPN) 06/21

In 2019, the *Climate Change Act* was amended with the introduction of a world leading net zero target: **100% reduction in the net UK carbon account by 2050.**

PPN 06/21 sets out how to account for net zero in government contracts - a Scope 3 emissions source for the central government.

Legally binding
Country level commitment to Net zero

Regulation

Policy

Corporate reporting

Supply chain reporting requirements

SME reporting at scale

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Case study - The NHS

- ➔ The NHS has a commitment to reach net zero by 2040 for the emissions it controls directly
- ➔ **And by 2045 for the emissions it influences, through the goods and services it buys from its partners and suppliers.**

☝ **To achieve this goal, the NHS needs the support of all its suppliers.**

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NHS Net Zero Supplier Roadmap

NHS

Net Zero Supplier Roadmap

From April **2022**

Net Zero and Social Value

All NHS procurements include a minimum 10% net zero and social value weighting. The net zero and social value guidance for NHS procurement teams helps to unlock health-specific outcomes (building on PPN 06/20). Net Zero and Social Value will be applied via the Evergreen assessment for NHS England Medicines tenders.

From April **2023/24**

Carbon Reduction Plan

For all new contracts above £5 million per annum, the NHS requires suppliers to publish a Carbon Reduction Plan for their UK Scope 1 and 2 emissions and a subset of scope 3 emissions as a minimum (aligning with PPN 06/21).

From April 2024, this requirement will be proportionately extended to cover all new procurements.

From April **2027**

Carbon Reduction Plan for all emissions

All suppliers will be required to publicly report targets, emissions and publish a Carbon Reduction Plan for global emissions aligned to the NHS net zero target, for all of their Scope 1, 2 and 3 emissions.

From April **2028**

Product-level requirements

New requirements will be introduced overseeing the provision of carbon footprinting for individual products supplied to the NHS. The NHS will work with suppliers and regulators to determine the scope and methodology.

What information should a CRP contain?

1. A commitment by the supplier to reach net zero emissions by 2050 (at minimum)
2. Supplier's baseline and current emissions for their UK operations at a minimum (Scopes 1,2 and subset of scope 3)
3. Supplier's most recent emissions reporting for the previous reporting year
4. All emissions information displayed as CO2e (carbon dioxide equivalent)
5. What environmental management measures are being undertaken by the supplier, including certification scheme or specific carbon reduction measures adopted
6. A signature from a board member (or director if no board is in place)
7. A link to where the CRP is publicly available on the supplier's website

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It is mandatory that every tender includes a Carbon Reduction Plan. My discussion with our procurement team ensures that every contractor submits one. They need to know their baseline and future targets. I need to track how many have complied and what progress has been made, especially as contracts come up for renewal.

Tom Toolan, Head of Sustainability NHS
Essex Partnership University NHS Foundation Trust

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Corporate targets

Supply chain pressure in the private sector

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Regulation targets corporations

Regulation includes scope 3 which is a corporates supply chain.

In order to truly understand their scope 3 they need to understand the suppliers emissions

Scope 3

ATLASSIAN

amazon

AstraZeneca

itv

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Case study:

amazon

Supply Chain Standards

"Upon written request by Amazon, **suppliers are required to set a credible greenhouse gas target and share progress by providing emissions data** to demonstrate compliance with Amazon's Supply Chain Standards"

During an audit, Suppliers will need to grant auditors access to:

- All buildings under business license, including but not limited to management offices, employment records, production facilities, warehouses, dormitories, canteens, and living quarters.
- Applicable documents (including those for contracted or temporary workers)
- Workers and site management for interviews.

Failure to allow auditors full access can result in a failed audit. If there are areas that cannot be viewed or records for some groups of workers that cannot be provided due to conditions such as non-disclosure agreements, Suppliers must inform Amazon prior to an audit.

Transparency requirements:

- Do not engage in illegal, deceitful, or unethical behavior (for example: bribery)
- Provide accurate documentation about working conditions
- Disclose relationships, including labor or recruitment agencies
- Give auditors access to all buildings, applicable documents, workers, and site management

Environment

Amazon is committed to The Climate Pledge, a commitment to reach net-zero carbon by 2040, and are requiring our suppliers to join us to reach this goal. We prioritize working with suppliers that are making real business changes to improve the environmental performance of their operations and supply chains. Moving beyond legal and compliance obligations, suppliers should be setting goals, taking action, and demonstrating sustainability progress

- **Take action.** Improve the environmental performance of your operations. Pursue real business changes to reduce carbon emissions and demonstrate performance against these targets. Initiatives could include improving energy efficiency, purchasing carbon free electricity, reducing transportation emissions through low carbon fuels or fleet electrification, reducing material use, or other real business changes to reduce carbon emissions. Suppliers should take action to also reduce waste and water across their operations and encourage the same throughout their supply chain.
- **Share progress.** Suppliers should share emissions data and performance progress publicly through industry-accepted platforms, on company websites, or directly with Amazon. This includes reporting on all relevant scopes in alignment with acceptable criteria under Greenhouse Gas Protocol (GHGP), or other acceptable criteria defined by Amazon to promote transparency and accountability.

Upon written request by Amazon, suppliers are required to set a credible greenhouse gas target, and share progress by providing emissions data to demonstrate compliance with Amazon's Supply Chain Standards. Amazon business partners will define requirements and contact Suppliers, if requested, on the type of data, timespan, and how to provide information to Amazon.

Supplier Diversity

Advancing Supplier diversity and inclusion (SDI) is important to Amazon because it's good for our business, aligns with our customers' expectations, and is the right thing to do for society as a whole. Amazon's Supplier diversity program is guided by our ambition to extend procurement opportunities

There are hundreds of examples of this corporate supply chain pressure

COST SAVINGS & GREEN FINANCE

Reducing energy, water and waste will **reduce your operating costs by a minimum of 10%***

CUSTOMERS CARE

81% of consumers prefer to buy from businesses that are sustainable. Sustainability drives loyalty

EMPLOYEES CARE

65% of staff expect their employer to take action. **Reduce churn & attract talent**

WINNING BUSINESS

In order to retain and win new business sustainability credentials are needed as part of **contracts / tenders**

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SMEs account for >50% of global carbon emissions

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Why We're Offering This Service & Partnering with Trace

- **Responding to Client Needs:** Increasing regulatory, investor, and customer expectations for sustainability reporting
- **Expert Partnership:** Trace provides robust, user-friendly carbon accounting technology, ensuring accurate and actionable insights
- **Shared Values:** Both firms are committed to transparency, integrity, and helping clients achieve their sustainability goals

What This Means for Us & Our Clients

For Our Firm:

- We are committed to promoting sustainable and responsible business practices
- Going through the same process ourselves has highlighted how important these are to our team members

For Our Clients:

- Access to streamlined, reliable carbon footprint measurement and reporting
- Practical support for compliance, risk management, and sustainability strategy
- Confidence that your data is handled securely and professionally

Why Your Accountant is Your Ideal Carbon Accounting Provider

- **Deep Understanding of Your Business:** We already know your operations, data flows, and reporting requirements
- **Trusted Advisors:** Accountants are skilled in data accuracy, compliance, and translating numbers into actionable insights
- **Integrated Service:** Carbon accounting becomes part of your regular financial and strategic review - no duplication, no extra hassle
- **Sensible pricing:** Not a ‘one-price fits all’. We will scope all individual engagements and give you a fee quote that you can rely on

Any Questions?

Contact Us

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