THE CLIMATE NEUTRAL CERTIFIED STANDARD

For certifications completed during calendar year 2023.

Companies must follow the Climate Neutral Certification Standard (CNCS) in order to receive the Climate Neutral Certified label. This document describes the requirements that apply to all entities seeking certification during calendar year 2023 for their 2022 emissions.

CLIMATE NEUTRAL

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1. Greenhouse Gas Measurement Requirements

a. Measurement Boundaries

Entities seeking certification in 2023 are required to count their full calendar year cradle-to-customer emissions from 2022. This includes emissions related to all products, services, and business activities. Fiscal year data can be used as long as six or more months overlap with calendar year 2022. Measurement boundaries are based on the 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
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b. Data Requirements

Use of verifiable activity data vs. estimated data: Certifying entities are *strongly encouraged* to provide actual metered or billed data, rather than modeled estimates, for Scopes 1& 2.

Use of activity data: Certifying entities are *strongly encouraged* to use activity data or physical data for emissions Scopes & Categories where emissions are equal to or more than 5% of the total footprint. Companies with science-aligned reduction targets are required to use activity data or physical data (i.e. kWh, not dollars spent on electricity) for Scopes 1 & 2 starting in their second annual certification cycle.

c. GHG Measurement and Verification Requirements

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

Table 2: GHG Measurement Requirements

2022 revenues above $100 million (Large)	2022 revenues $5-100 million (Medium)	2022 revenues below $5 million (Small)
A measurement report, detailing total emissions by scope and category, can be generated using 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. You must also hire a third-party consultant to verify the report (see below).	Estimate your emissions using 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.	Estimate your emissions using the Brand Emissions Estimator (BEE) or equivalent pre-approved tool using sector, geography, financial, and other firmographic data.

Once GHG inventories have been completed, Climate Neutral staff will review your submission and evaluate it for compliance with the Standard.

Table 3: Verification Requirements

2022 revenues above $100 million		2022 revenues $5-100 million	
If you measure your emissions using the BEE, here's what you need to submit:	*If you don't use the BEE, here's what you need to submit:*	*If you measure your emissions using the BEE, here's what you need to submit:*	*If you don't use the BEE, here's what you need to submit:*
A complete measurement report from the BEE and a	A measurement report and a third party verification report.	A complete measurement report from the BEE.	1) A final calculation of your total Scope 1-3 emissions, reported in

third party verification report. The verification report must verify your data inputs.	The verification report must verify your inputs, methods, boundaries, and tool(s). Verifications must follow one of these standards: ISO 14064-3, ISAE3000, ISAE 3410, or Corporate GHG verification guidelines from ERT.		tCO2e and broken down by GHG Protocol categories. 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.

d. 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. Verification reports must specify the level of assurance provided by the report as either limited or reasonable.

e. Counting Renewable Energy Purchases

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 2022 Scope 2 emissions, you must purchase RECS or GOs with a vintage of 2020 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. Requirements for Investing in Value Chain Reductions

a. Target Setting Requirements:

Certifying entities are required to create a Reduction Action Plan using Climate Neutral's template that shows progress toward reducing emissions from products and services. Action plans must include a minimum of two measures that will reduce emissions within the next 12-24 months. If a certifying entity has annual revenues over $5 million, you must identify at least one reduction measure that applies to your Scope 3 emissions. To recertify, reduction plans must include reports on progress made toward prior years' reduction actions.

If the certifying entity has over $100 million in annual revenues, you 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 2022 emissions baseline, a 1.5 degree C-aligned target approved under the Science-based Targets initiative, or a well documented science-aligned target that is sector specific. Entities with less than $100 million in annual revenues are *strongly encouraged* to set 2030 science-aligned targets.

b. Checkpoint Year Requirements:

Success toward reduction actions and science-aligned targets will be closely evaluated in Checkpoint Years set in 2025 and 2028. Certified entities will be required to evaluate and report on progress towards the following goals:

Checkpoint Year 2025 Goals:

- All RAPs set through 2023 should be complete.
- You should be roughly 50% toward completing 2030 target requirements, if applicable.*

Checkpoint Year 2028 Goals:

- All RAPs established through 2026 should be complete.
- You should be roughly 80% toward completing 2030 target requirements, if applicable.*

*Failure to match exact Checkpoint Year 2030 reduction plan goals may be explained if you can demonstrate that you have significant pending reduction actions, or that you are following a separate but clear reduction plan with custom baseline or target years.

3. Requirements for Emissions Compensation

Certifying entities are required to compensate for all emissions measured according to the Standard (all product, services, and operations) with investments beyond the value chain. Carbon inventories may be adjusted with clean energy purchases made via PPAs, RECs, and/or GOs. All forms of compensation must meet the following criteria:

a. Third-party Verification

Carbon credits must be verified according to one of the following standards: Gold Standard, Verified Carbon Standard, Climate Action Reserve, or 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 emissions year. For companies getting certified in 2023 for a 2022 emissions footprint, this includes any vintage year from 2019 through 2022. For forestry and land-use projects, all credits must represent emission reductions from within the seven years up to and including the emissions year, which includes any vintage year from 2016 through 2022. 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 in Table 4. All carbon credit purchases must be from the approved project types in Table 4. 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.

Table 4: Eligible Carbon Credit Types and Categories

Project Category	Project Type	Suggested Portfolio Allocation Targets
Emissions Removed or Avoided From Nature	**Agriculture & Grasslands:** e.g., avoided ecosystem conversion, grassland & rangeland management, soil carbon	40% or more
	Blue Carbon: e.g., mangroves, coastal conservation, wetland & seagrass restoration	
	Forestry: e.g., Afforestation, Avoided Deforestation, Improved Forest Management, Peatland Restoration, REDD+, Reforestation	
Emissions Avoided from Energy and Industry	**Chemical / Industrial:** e.g., manufacturing, methane capture	59% or less
	Household & Community: e.g., cookstoves, composting, household energy efficiency, water filtration	
	Renewable Energy: e.g., biomass, geothermal, small-scale hydropower*, solar, wind	
	Transportation: e.g., electric vehicles	
Carbon Dioxide Removals (CDR)**	**Engineered Removals**: e.g., direct air carbon capture, mineralization	Up to 5%

	Emerging Nature Based Removals: e.g. kelp	
Excluded Project Types	HFC-23 Destruction	n/a (not allowed)
	N_2O Destruction (ex-U.S. adipic acid only)***	
	Large-scale Energy Efficiency in non-LDCs****	
	Large-scale Hydro	
	Tokenized credits	

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

** Emerging removals applies to new project types where methodologies have not yet been developed, so verification is not possible.

*** 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.

Open Allocation for Carbon Dioxide Removal (CDR) Credits: Up to 5% of the carbon credit portfolio may consist of CDR credits that are not verified under one or more of the standards listed in 2(a). Credits must be issued & retired in order to count toward certification.

In addition to meeting all project documentation requirements outlined in section D, you must submit methodology documents for CDR projects for the credits to be eligible for certification.

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

Emissions compensation may be conducted with carbon credits and clean energy purchases from any provider, as long as the instruments meet the requirements of these standards.

All carbon credit purchases must be substantiated with an attestation form signed by the provider 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*	*2020*	*VCS*	*Honduras*	*Carbon Broker*	*$10.00*

This attestation form serves as a proof of purchase and retirement, and provides the information needed to confirm that the credits meet the requirements of the Standard. In addition (or in the event that a credit attestation form is unavailable), you may 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 certifying entity 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 clean energy must be substantiated with the following information:

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

In addition, you must provide at least one of the following for every clean energy purchase: contract attestation document, certificate, and/or payment receipt.

4. Requirements for Information Disclosure

Climate Neutral requires that companies with active certifications publicly disclose the following information on the Brand Profile Directory on the Climate Neutral website:

1) Total annual GHG footprints calculated broken down by Scope 1, 2, and 3 emissions for medium and large entities)
2) Total annual investment (in USD) in carbon removal and avoidance credits as well as the project types supported
3) Categories of certified products and/or services
4) Summary of reduction action plans
5) Progress toward past reduction action plans

In certain cases, Climate Neutral may, in its sole discretion, allow alternative disclosure formats for the Brand Profile Directory, upon request from certified companies.

5. Climate Advocacy Recommendations

Certified entities are strongly encouraged to engage in lobbying, education and stakeholder (e.g. customer, supplier, employee) mobilization efforts in support of climate solutions. Applications for re-certification will include a requirement to report on such activities completed in the prior calendar year. This reporting will not be made public, but should generally include one or more of the following activities:

1. **Climate Lobbying:** Support climate policy at any political level directly or in collaboration with an advocacy or trade organization.
2. **Internal Climate Literacy:** Engage your team in the Climate Neutral Certification process and conduct education sessions to increase staff understanding of climate issues.
3. **Consumer Climate Literacy:** Engage consumers in the Climate Neutral Certification process and importance of climate action.

6. Standard Transition Period and VER Eligibility Window

Climate Neutral reviews and updates this Standard annually through an in-depth stakeholder review process. For significant year-to-year changes to the Standard, Climate Neutral may specify a transition period to allow re-certifying entities more time to comply with the revised requirements. The length of the transition period for a given change (if any) will be defined during the annual review process.

All entities certifying for the first time must comply with the version of the Climate Neutral Standard for the applicable certification year.

Transition periods will not apply to changes in the requirements for purchasing emission reduction or removal credits / offsets. Certifying entities with pre-existing multi-year offtake agreements that do not conform to the Standard will be considered on a case-by-case basis.

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

Transition periods will not apply to changes to standards for carbon credits (VERs). ompanies 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 Standard during the year of contracting. Additional purchases must meet the current year's Standard 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 companies.

Lauren Frisch I'm still having trouble with the VER piece of this.

- Transition periods will not apply to changes to standards for carbon credits (VERs). *Do we need to say this, or can we just leave it implied by the prior paragraph, since transition periods will be defined during the review process, and unless the committee grants a transition period, there isn't one*
- All credits must meet the vintage year requirements for the year the credits are retired and counted toward certification*. This is standard and covered by our vintage year requirement so not sure we need to restate it here.*
- If credits are purchased as part of a multi-year contract, they will be approved if they meet the Standard in the year the contract was approved as long as the vintage years are eligible in the year the credits will be used. *"The contract was approved" feels vague because we don't have any reference to a standard process or requirement for approving purchase contracts.*
- The intent of the transition period and VER eligibility window is to provide better certainty to encourage long-term planning by certified companies. *This is good language for explaining things to e.g. ACEC members but feels outside the scope of what we need to cover in the Standard.*
- *My suggestion would be to include these two sentences: "*Transition periods will not apply to changes in the requirements for purchasing emission reduction or removal credits / offsets. Certifying entities with pre-existing multi-year offtake agreements that do not conform to the Standard will be considered on a case-by-case basis."