

# Tackling Scope 1 and 2 GHG Emissions Tracking & Data Collection



**RETAIL INDUSTRY  
LEADERS ASSOCIATION**

February 1, 2023

# HOUSEKEEPING

## **Everyone is muted upon entry**

- This reduces background noise during the webinar.

## **Recording**

- The webinar is being recorded and will be housed on the RCC site for future views. The slide deck will also be posted to the RCC site.

## **Posing a question/commenting**

- Please use the chat box to pose questions or comments.
- Questions and comments posed will go directly to the speakers and moderators.

## **Webinar Feedback Survey**

- Survey launched during Q&A as live poll

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At any association meeting, participants must avoid any discussion of the following subjects in order to avoid even an appearance of impropriety:

- Do not discuss current or future prices, price quotations or bids, pricing policies, discounts, rebates, or credit terms.
- Do not discuss cost information such as production costs, operating costs, or wage and labor rates.
- Do not discuss profits or profit margins, including what is a "fair" profit margin.
- Do not discuss allocating markets, territories, or customers.
- Do not discuss current or future production or purchasing plans, including plans to take facility downtime, production quotas, or limits on output.
- Do not discuss refusing to deal with any suppliers, customers, or competitors (or any class or type of suppliers or customers).
- Do not require or pressure any supplier, customer, or competitor to adopt any particular actions or policies.
- Never agree on any aspect of future pricing or output.

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# RILA RELEVANT RESOURCES AND CONTENT

[Retail Climate Action Blueprint](#) - a clearinghouse of approaches for US-based retail companies seeking a path to a net-zero emissions future

[Retail GHG Targets Tracker](#) - detailed tracker of retail companies with emissions reduction, energy efficiency, and/or renewable energy goals (*member login required*)

[RILA's Comments](#) - to SEC on Climate Related Disclosures

**Scope 3 Data Measurement & Reduction Support** - Reach out to [Erin.Hiatt@rila.org](mailto:Erin.Hiatt@rila.org) for more information:

- Transportation/Distribution
  - LINK 2023 (February, Orlando)
- Use of Sold Products
  - Small group work on assumptions, methodology
- Purchased Goods & Services
  - Special projects (e.g., Schneider Electric, Higg, Accenture)



# Melinda Wolfe

Sustainability  
Services Manager

Region: Americas

Based in Louisville,  
Kentucky



## Service Role

As a Manager of Sustainability Services, Melinda provides oversight for the day-to-day operations of a team of sustainability consultants, training, and process standardization for inventory and data-related services. Schneider Electric's data-related services are the foundation for both corporate reporting and strategy services. She leads the operations teams to deliver emissions, water, and waste inventories and corporate reporting across various frameworks like CDP, GRI, and GRESB.



## Specialties

Melinda's subject matter expertise encompasses spans across a range of subjects, including greenhouse gas, refrigerants, water, and waste inventory management, corporate sustainability reporting such as CDP, GRI and GRESB, Science-Based Targets, and RE100. She also coordinates annual research projects in alignment with the WRI-GHG Reporting Standard to collect utility-specific emission factors that meet Scope 2 quality criteria. Melinda has significant expertise working with clients across a wide span of industry sectors including retail, commercial real estate, financials, and manufacturing.



## Career Background

Prior to her role as manager of the Sustainability Services team, Melinda supported clients in the development of a variety of inventory and data-related projects for their sustainability reporting needs with Schneider Electric. Melinda holds a Bachelor of Science in Natural Resource and Environmental Sciences with a minor in Environment and Sustainability Studies from the University of Kentucky.

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# Olivia Hill

Sustainability  
Associate

Based in Louisville, Ky



## Service Role

As a Sustainability Associate, Olivia partners with clients in developing sustainable energy and resource management strategies. Her duties include developing and managing emissions inventories (both annual and quarterly) for Scope 1, 2 and 3 reporting, collaborating on target/goal setting, and preparing client communications for sustainability performance aligned to key industry reporting platforms like CDP, DJSI, GRI and GRESB.



## Specialties

Olivia is an expert at developing solutions that meet the unique needs of the client. Her subject matter expertise spans across a range of topics, including greenhouse gas inventory management and accounting, Scope 3 reporting, and corporate sustainability reporting. Olivia has expertise working with clients across a wide range of industry sectors including retail, commercial real estate, manufacturing, pharmaceutical, and technology services.



## Career Background

Olivia joined Schneider Electric in 2021. Prior to working at Schneider Electric, Olivia worked for Champion Petfoods as a Quality Assurance Specialist, was an Environmental Education Intern at Mammoth Cave National Park, and was the Sustainability Intern for Heaven Hill Distillery. She holds a Bachelor's in Biology and Environmental Science from Western Kentucky University, and a Master's degree in Environmental & Sustainability Studies from the University of Kentucky.

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# Tackling Scope 1 and 2 GHG Emissions Tracking & Data Collection

# Schneider Electric Sustainability Business

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Schneider Electric's Sustainability Business is a global leader in the energy transition and decarbonization. For more than a decade, we've helped thousands of corporations navigate the challenges of **energy management**, **sustainability**, and **ESG**.

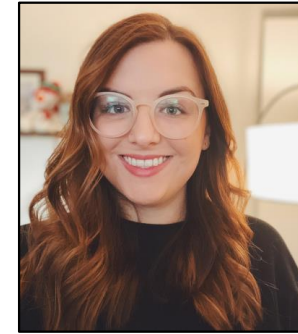
Our mission is to **proactively lead clients on their journey to the carbon-free future** on a foundation of integrity and trust.

## Today's Speakers



**Melinda  
Wolfe**

Sustainability  
Services Manager



**Olivia  
Hill**

Sustainability  
Associate



# Today's Agenda



✓ Overview of GHG Accounting Terms

✓ Core Concepts of GHG Reporting

✓ SEC Regulation Overview

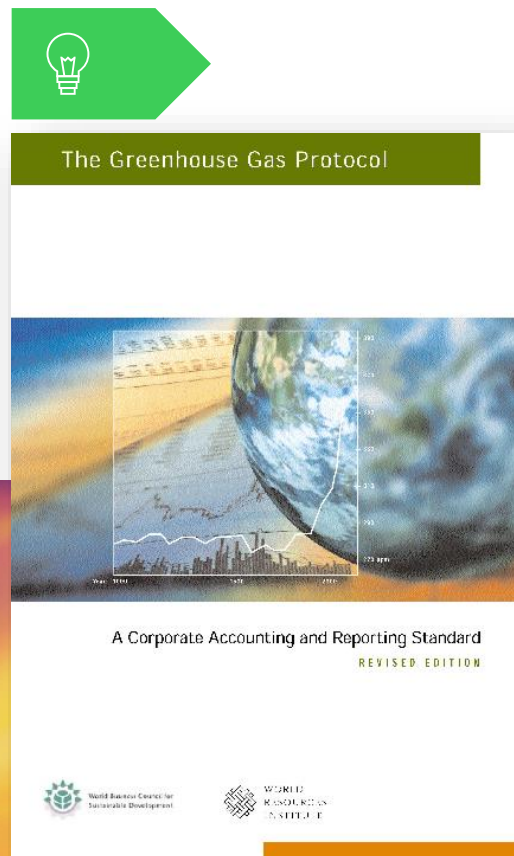
✓ Preparing for SEC Requirements



# Overview of Greenhouse Gas (GHG) Reporting

# Standards and Methodologies

The GHG Protocol is generally acknowledged as the most widely-adopted standard



# Scope 1, 2, and 3 Emissions Defined

## SCOPE 1

### Direct Emissions

Sources: All direct emissions within the operational control of an organization.

## SCOPE 2

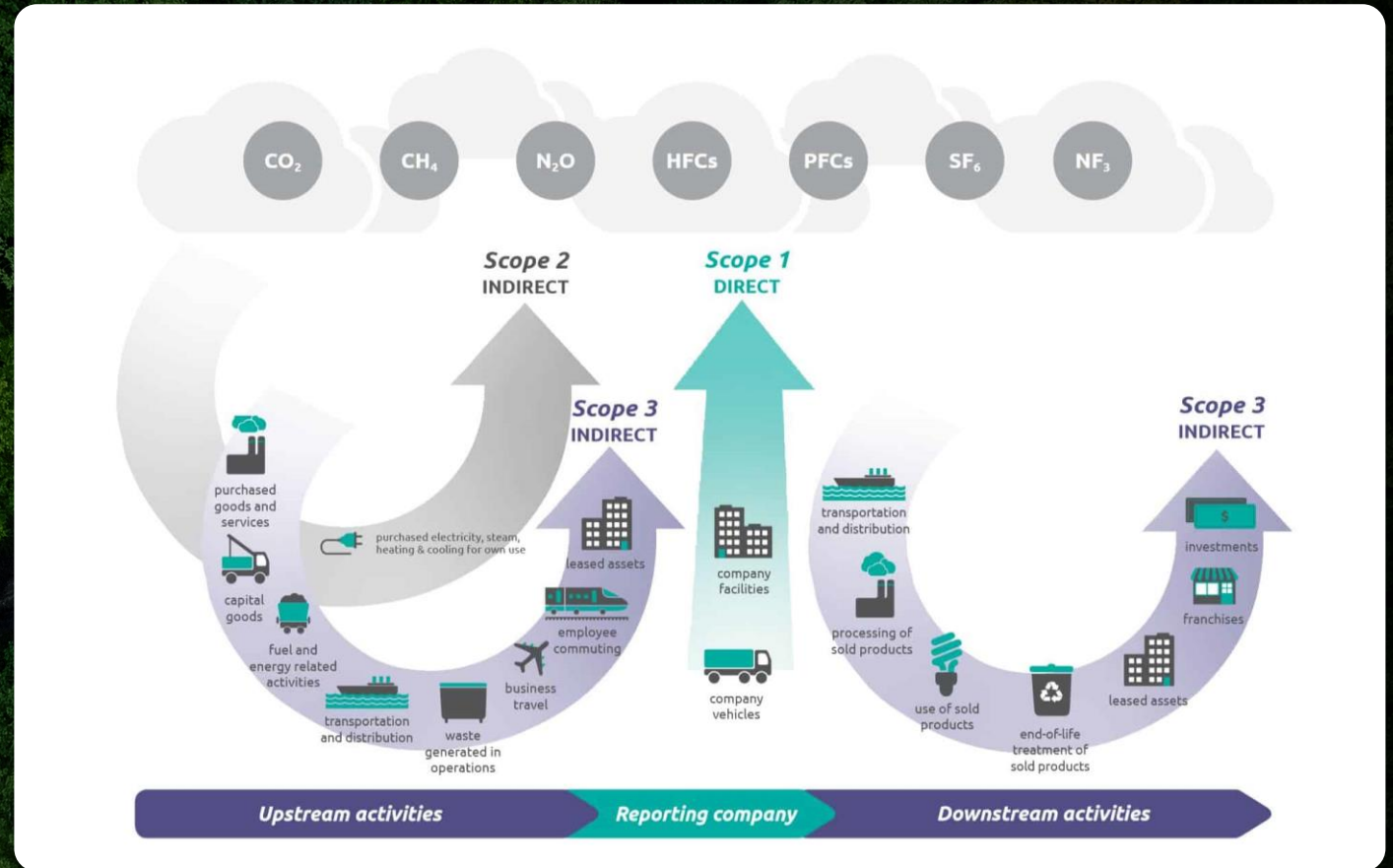
### Indirect Emissions

Sources: Indirect emissions generated from purchased electricity, heat, steam or cooling

## SCOPE 3

### Indirect Emissions

Sources: All other indirect emissions from upstream and downstream value chain emissions (15 total categories)



# How is Scope 2 Typically Reported?

Most goals are set with a market-based method to incorporate renewable energy

## Market-Based

The carbon intensity associated with how an entity purchases and acquires energy. This includes renewable energy contracts, utility-specific factors, and residual factors.

## Location-Based

The carbon intensity associated with the grid where electricity is purchased (generally regional or country-level).

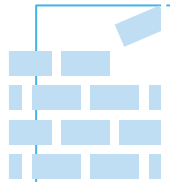
“We set a 20% emissions reduction total by 2030 using a location-based scope 2 method. We plan to achieve this goal through the use of energy efficiency, site consolidation, and installing onsite solar installations.”



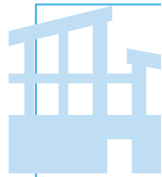
“We set a 20% emissions reduction total by 2030 using a market-based scope 2 method. We plan to achieve this goal using energy efficiency, site consolidation, installing onsite solar installations, and procuring renewable energy.”



# What are Scope 3 Emissions?



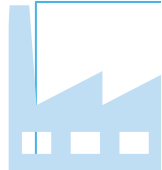
Emissions not covered in Scope 1 and Scope 2



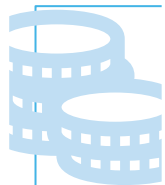
Embodied emissions within resources consumed by the organization



Emitted along the supply chain of the company's direct control



Emissions of any supplier, particularly relevant to organizations that produce tangible products



For financial institutions, financed emissions are embedded in their lending, equity, and insurance portfolios.

- ✓ Scope 3 emissions can be divided in upstream and downstream emissions.
- ✓ There are 15 categories on Scope 3 emissions some of which include waste generated in operations, employee commuting & purchased goods and services

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# Setting Organizational and Operational Boundaries



## Control Approach

**Operational Control** is appropriate for companies with straightforward ownership structures.

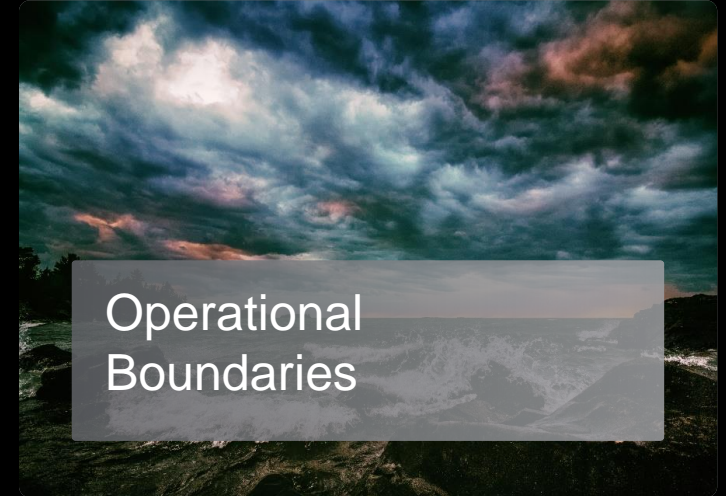
**Financial control & Equity Share** approaches are generally most relevant for financial institutions.



## Organizational Boundaries

What sites, companies, entities, etc. are included in your reporting?

If you exclude these entities, is there anyone else who would take ownership?



## Operational Boundaries

What emission sources and processes are included in your reporting?

# Portfolio Fluctuations

## Acquisitions



**Acquisitions** should be added to the baseline year, assuming that the entity existed in that timeframe.



**Initiatives** to achieve targets should be right-sized to this growth.



**A company** is not penalized in year-over-year reporting and showing progress towards a goal.



**Any other increase** in sites or activities is considered organic growth.

## Divestitures



**Divestitures** are removed completely from all reporting.



**A company** doesn't receive an emissions benefit from a divestiture and doesn't show any year over year improvements as a result.



**Any closure** that is not sold to another entity is considered organic decline.





# Core Concepts of Greenhouse Gas (GHG) Reporting

# Most Important Takeaways

## COMPLETE

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Companies need to report on everything that's within their operational control.

## SCOPES

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Scopes help us avoid double counting across entities and outline where there is the most ability to decarbonize.

## PROGRESS

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Companies need to report on their reduction targets in a consistent way and demonstrate progress.

## BOUNDARIES

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Companies are not penalized for an acquisition or rewarded for a divestiture

## MARKETS

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Companies must report two different scope 2 numbers to help show what emissions reductions are resulting from efficiency (location-based) vs. renewable energy purchases (market-based)

# Audience Poll

What is your company currently reporting?

- 1) Scope 1 & 2
- 2) Scope 1, 2, & 3
- 3) We are currently in the process of our first inventory
- 4) We are not currently tracking or reporting any GHG emissions
- 5) Not sure

# What goes into the Greenhouse Gas Inventory Process?

## BOUNDARY SETTING & IDENTIFY DATA SOURCES

### DATA COLLECTION

- Invoice Collection
- Scope 1 & 2 (not collected via invoices)
- Scope 3 information
- Site information
- Portfolio Changes
- Attributes (e.g., SF, employees, etc.)

### DATA MANAGEMENT

- Data Upload to Resource Advisor
- Estimations
- Rebaselining (as needed)

### EMISSIONS CALCULATIONS

- Addition of sources and sites for emissions calculations
- Mapping of emission factors
- Application of GWPs

### FINAL REVIEW

- Internal process utilizing applications designed for quality checks
- Stakeholder inquiries and review
- Final updates to Resource Advisor

### VERIFICATION

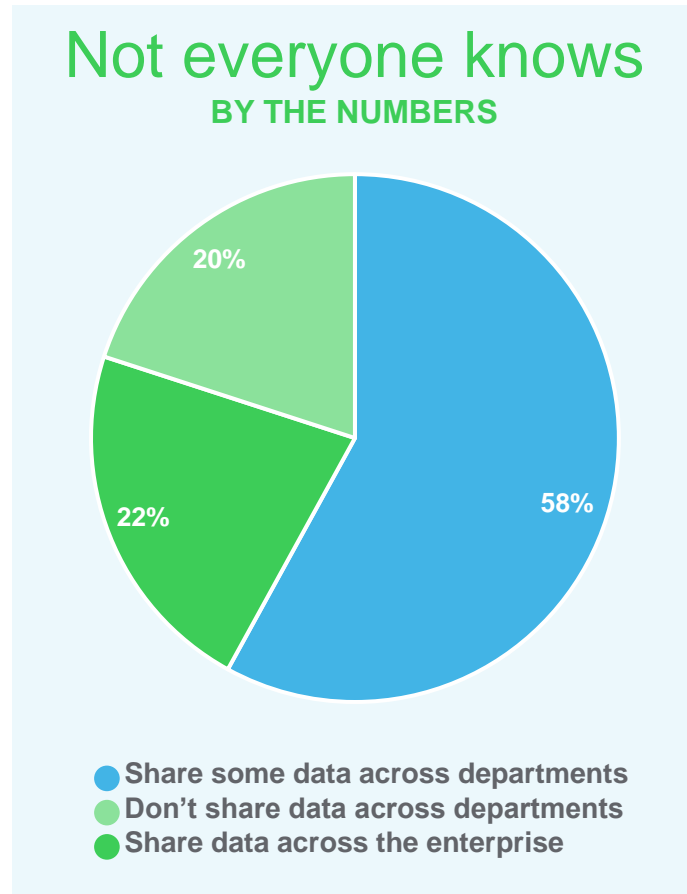
- Third-Party Verifier Kick-off
- Inventory Management Plan (as needed)
- Resource Advisor Overview / Access

## INVENTORY MANAGEMENT PLAN (IMP)

# Data Collection Challenges

## Strategy for collecting data throughout an organization

- Developing strategy to collect the right, impactful data
- Different systems and sources make it complex
- Energy, utility data lag other sources in speed & availability
- Payment challenges
- Used for many different purposes (i.e., bill payment vs. external reporting needs)



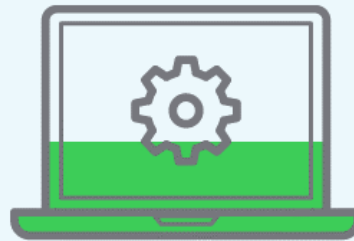
# Data Consistency Challenges

Data comes in all shapes and forms, but consistency is key

- Aggregating across complex portfolio
- Standardization of unit of measure and currency globally
- Incomplete data sets
- Configurable logic around automation & granular data
- Calendar vs. fiscal year



**48%**  
Unreliable or  
incomplete data



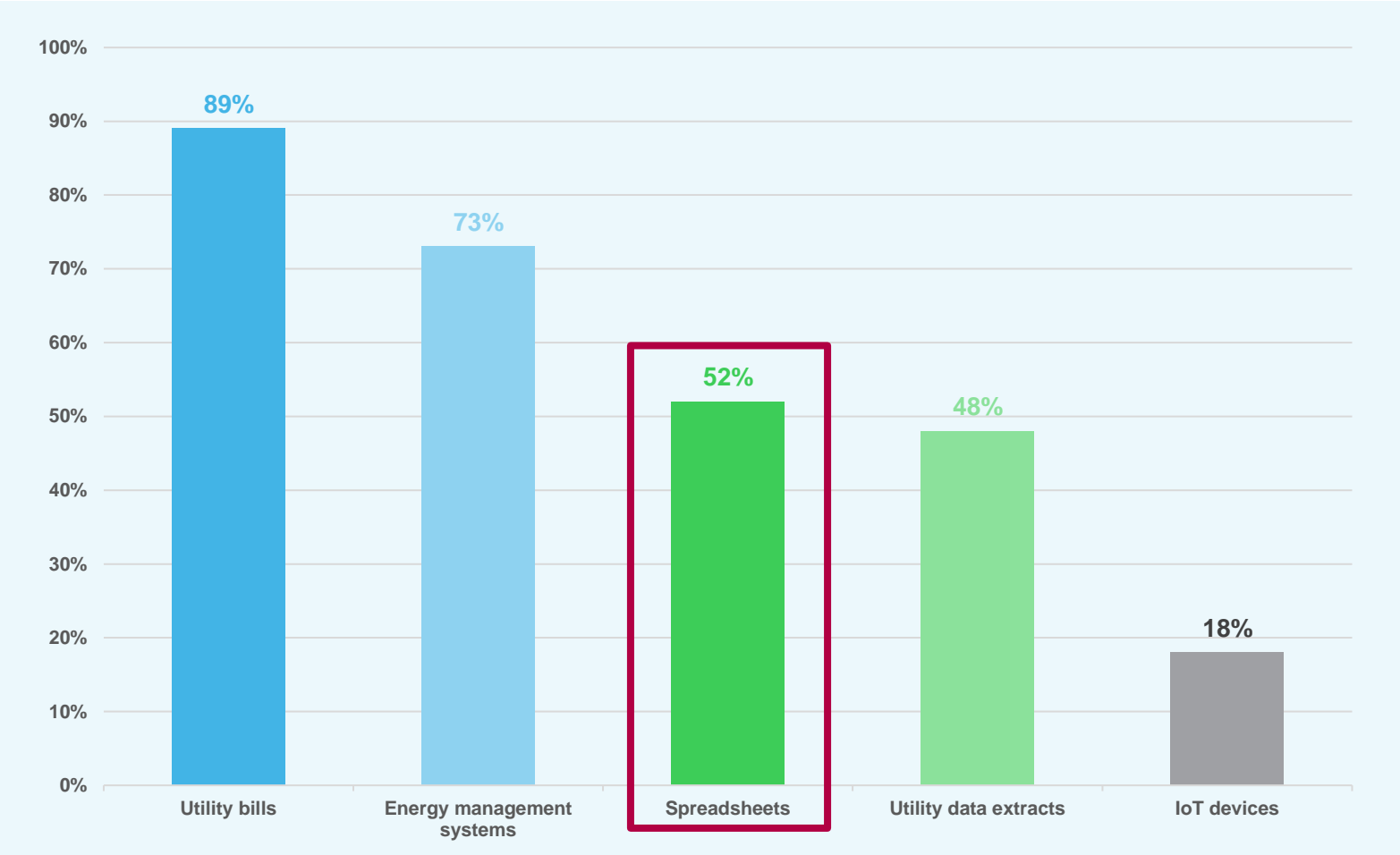
**41%**  
Insufficient  
tools

**48%**

of firms note that the  
data they collect is  
incomplete or  
unreliable

# Data Confidence Challenges

Confidence in data being used for tracking against initiatives



Research Report: 2019 Energy & Sustainability Progress Report



**52%**

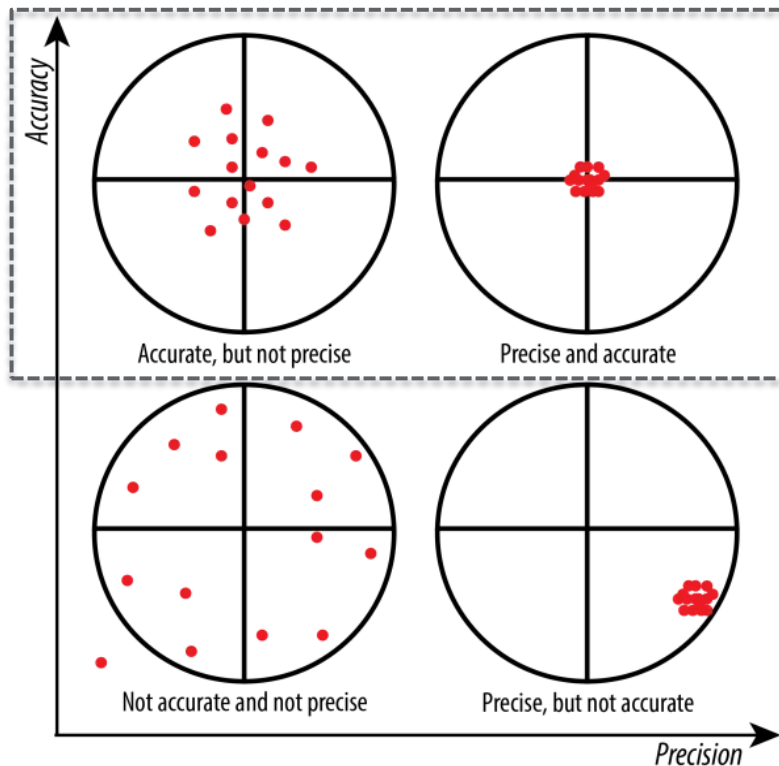
of firms use spreadsheets for data inputs

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# Accuracy over Precision

You can make good decisions with accurate data and work to increase precision over time



## Key Terms:

**Accurate:** How close a value is to the true value

**Precise:** How close values are to each other



## Implications:

**Verification/Assurance:** While precise & accurate is preferred, you can successfully undergo third party verification with either accurate or accurate & precise data.

**Regulation:** We expect to see more from the SEC in October regarding external reporting of climate data



# Verification Overview

## What is GHG verification?

Verification involves an assessment of the accuracy of a company's emissions reporting by an independent third party. There are several acceptable standards that auditors will follow.

## Two types of verification:

- **Limited Assurance**
  - Lower level of detail in gathering evidence
  - Shorter timeline
- **Reasonable Assurance**
  - Higher level of detail in gathering evidence
  - Longer timeline

**Limited Assurance:** 6-8 weeks

**Reasonable Assurance:** 10-12 weeks

\*\*Note timelines above are estimates based SE client experiences – and may vary based on auditor/year of verification/etc.

## Timing/Frequency of Verification:

- Contract third party auditing company several months prior to inventory completion
- Verification typically kicks off toward the end of the reporting period, or right after
- Annual verification

# Verification Challenges

## Challenges

## How to prepare

Providing supporting data documentation

Have a centralized space to store all backup documentation for your data sources (invoices, attestations, data spreadsheets, etc.) and consistently store these documents throughout the reporting year.

Providing supporting calculations and emission/conversion factors

Utilize methodologies from the GHG Protocol and keep clear calculation documentation and supporting materials for a verifier to review.

Stakeholder engagement

In some cases, verifiers may need to interview stakeholders to better assess processes and controls. Prepare these individuals in advance for what questions they may ask, or information they may require.

Setting/assessing controls

Document controls utilized within data collection processes and calculations for GHG reporting.

Inventory Management Plans (IMP) are especially helpful to provide for verification and offer a centralized document that outlines the processes, methodologies and controls utilized throughout the reporting process.

# Navigating The ESG Reporting Landscape

## Voluntary ESG Reporting Frameworks

- GRI
- SASB
- SDGs
- TCFD
- CDSB
- IIRC
- Un Global Compact
- WEF
- ISSB
- EEI
- S&P CSA

## Data Providers

- GRESB
- CDP
- Bloomberg
- Refinitiv
- B Analytics
- S&P CSA
- Ecovadis

## Ratings & Rankings

- MSCI
- DJSI
- ISS
- Sustainalytics
- FTSE
- Vigeo Eiris
- Corporate Knights

## Certifications & Target-Setting

- RE100
- SBTi
- EP100
- EV100
- LEED
- BREEAM

## ESG/Climate Finance Regulations

- SFDR
- EU ETS
- FSA
- TCFD
- NFRD
- CSRD
- EED
- SEC
- SECR
- EU Taxonomy
- BEGES

# Proposed SEC Climate Disclosure Regulation

What does it mean for businesses?

# Overview of the Regulation



The SEC proposes to mandate a set of disclosures on materially important impacts of climate-related risks on publicly-held companies' operations and financial performance.

The proposed rule was substantially modeled off the existing Task Force for Climate-related Financial Disclosures (TCFD) framework, using the emissions accounting methodology established by the Greenhouse Gas (GHG) Protocol.

The proposed rules are intended to enhance and standardize climate-related disclosures to address investors needs.

# What companies will be required to disclose

Proposal requires all info to be reported in annual statements (10-K, 10-Q, 20-F)



## Climate Risks

- Their climate-related risks, and how these risks have:
  - Had or are likely to have a material impact on the company and its finances over the short-, medium-, and long-term
  - Affected or are likely to affect the company's business model, and outlook



## Risk Management & Scenario Analysis

- The process for identifying, assessing, and managing climate-related risks and whether management of these risks is integrated into its overall risk management system and processes
- A description of the scenario analysis, as well as the parameters, assumptions, analytical choices and projected financial impacts



## Impacts

- The impact(s) of climate-related events such as severe weather, and physical and transition risks



## Goals & Transition Plans

- Climate-related targets or goals, and transition plan, if any, including relevant metrics and targets.
- Information about an internal carbon price and how it is set.



## Governance

- Both the oversight and governance of climate-related risks by a company's board and its management



## Metrics

- Scope 1 and Scope 2 emissions volumes, reported as separate metrics, not including offsets
- Scope 3 emissions and intensity (if material)

# Audience Poll

What are your biggest concerns for mandatory climate disclosure?

- 1) Scope 1 & 2 reporting
- 2) Scope 3 reporting
- 3) Assurance
- 4) Climate-related risks
- 5) Target-setting/Goals
- 6) All of these
- 7) None of these

# Who will need to be involved?

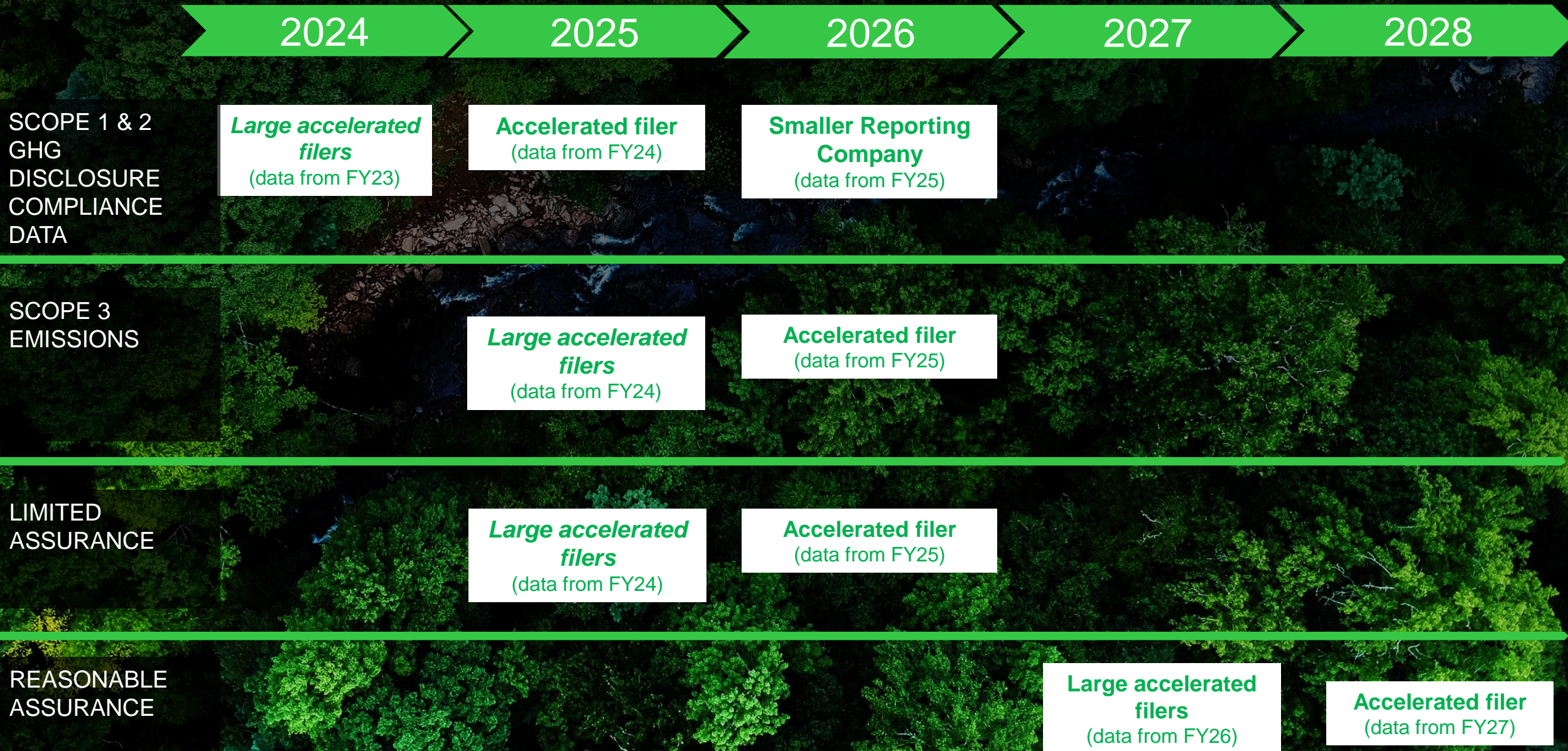
- Examples of possible stakeholder involvement:

Requirements/ Stakeholder function	Climate risk and opportunity	Climate-Related Impacts on Strategy, Business Model, and Outlook	Governance	Risk management	Financial statement metrics	GHG emissions metrics	Attestation	Targets and goals
Finance	X	X	X	X	X	X	X	X
Legal			X	X			X	X
Risk management	X	X		X	X			
Accounting	X	X		X	X	X		
Corporate controller	X			X	X		X	
Compliance			X					
Strategy	X	X	X	X				X
Operations		X	X			X	X	X
Internal audit			X		X	X	X	
Sustainability		X	X		X	X	X	X



# Timeline Proposed for Disclosure and Assurance

Delay announced – expectation of final rules not to be released until Q1 2023 vs. October 2022, as originally expected



# What challenges are we seeing, and how are companies already preparing?

- **Stakeholder Engagement**
  - Preparing/educating internal stakeholders for what role they may play
- **Data Collection**
- **Timelines**
  - Shifting annual reporting timelines
  - Quarterly/semi-annual inventories
  - Preparing for early verification timelines
- **Assurance**
  - Increased internal auditing
  - Early voluntary Reasonable Assurance
- **Estimations**
  - Strategize methodology/timelines for potential Q4 estimations
- **Other Reporting**
  - Many other reporting frameworks are requesting similar information/have similar requirements which could help your company better prepare

# Bottom Line for Companies

How to get ready for the final rule

## KEEP GOING

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- If you're already disclosing & reporting, keep going
- Other stakeholders besides the SEC are still evaluating you now

## PREPARE TO START

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- If you are not yet measuring emissions or climate risk, consider this your notice period

## DEEPER ANALYSIS

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- Sections of the rule – like material risks and financial impacts – will require companies to conduct deeper analysis and assurance than they might be used to

## BETTER RIGOR

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- Expectations for rigor and transparency will be higher
- Companies must prepare to be more comprehensive and transparent in their disclosures

## ENGAGEMENT

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- It's a good time to put others in your company on notice to prepare them for what's coming – without inciting a panic.



# Questions

# Key Resources

GHG Protocol: <https://ghgprotocol.org/>

SEC: <https://www.sec.gov/news/press-release/2022-46>

RILA Climate Action Blueprint: <https://www.rila.org/focus-areas/sustainability-environment/rila-climate-action-blueprint>



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# QUESTIONS?

USE THE CHAT TO SUBMIT YOUR QUESTIONS

# RILA CONTACTS



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THANK YOU