

Criteria catalogue KL-D-2045:

Confirmation of climate neutrality



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Introduction & Backgrounds

What is this criteria catalogue used for?

There is currently no normative basis for the term climate neutrality. Both the EU Commission and the German legislature use the term synonymously with greenhouse gas neutrality or carbon neutrality. Therefore, it is often not clear even in product or company declarations what exactly is meant by climate neutrality.

With the KL-D-2045 criteria catalogue, GUTcert wants to create a transparent standard on the market that clearly defines for organisations and stakeholders how the path to climate neutrality can be followed. The criteria that are fulfilled or not fulfilled by the organisations are to be clearly communicated. The criteria catalogue is based on the requirements of carbon footprint-related standards such as ISO 14064-1, ISO 14067 and the GHG Protocol as well as PAS 2060 and the Paris Agreement.

What is the Paris Climate Agreement?

The Paris Agreement to limit global warming ("well below 2 °C target") concluded in 2015 at the 21st World Climate Conference COP21 recognises climate protection as a central strategic challenge for the global community. The EU Commission wants to take a pioneering role in climate protection and make Europe the first climate-neutral continent. The goals were manifested in the legislative package called "New Green Deal", which is still under development.

What does climate neutrality mean? What are the definitions?

As already described, the terms "net zero greenhouse gas emissions" ([EU New Green Deal](#)) and "net zero emissions" ([BMU Climate Protection Plan 2050](#)) are used synonymously with climate neutrality at European and national level. This refers to the state in which there is a balance between the emission of greenhouse gases (CO₂, methane, ...) and their absorption from the atmosphere in so-called sinks. Only greenhouse gases (GHG) are emitted that can be reabsorbed by sinks (e.g. forests, wetlands, carbon capture and storage).

The scientific definition of climate neutrality can also include biophysical aspects such as soil and water contamination, raw material consumption and changes in biodiversity, as well as health aspects. In addition, non-THG-related effects such as radiative forcing from aviation also contribute to the greenhouse gas effect.

Due to the currently not fully available data sources for biophysical aspects and radiative forcing, climate neutrality is equated with greenhouse gas neutrality.

A uniform definition is currently expected in the [ISO 14068 standardisation project](#) under the heading of carbon neutrality.

What are the benefits of carbon neutrality certification for your company?

The climate neutrality label of GUTcert is intended to create simultaneous protection for organisations and customers on the basis of this catalogue of criteria. Organisations have a resilient certificate for their climate neutrality that withstands scrutiny by stakeholders and the media. Customers receive transparent and reliable information about the status of the organisation's climate neutrality. The criteria are granted by our label and are intended to help create comparability.



As an independent certification body, GUTcert does not make any ideological or qualitative assessment of the individual standards and the **degree of implementation** of the voluntary statements (reduction plans, scope 3, offsetting). The

exception is PAS 2060, as this standard sets clear requirements for reduction plans, offsetting and the overall balancing boundaries across all scopes.

Why is GUTcert the ideal partner for your company?

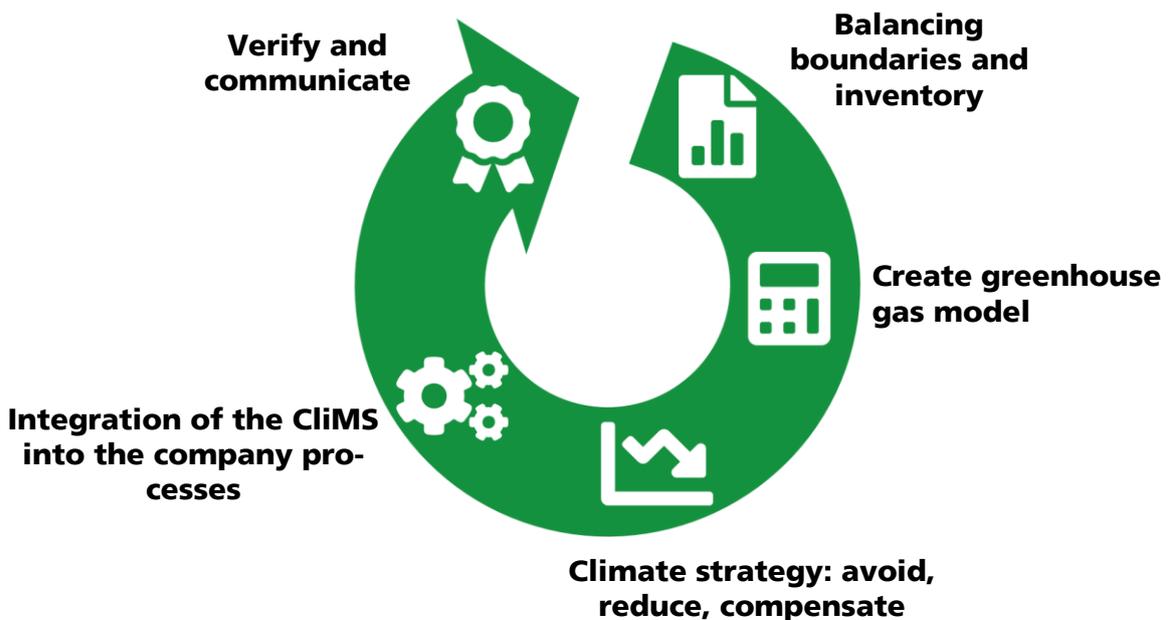
Since its foundation, GUTcert has been strongly committed to sustainability, climate management and greenhouse gas balancing. GUTcert was one of the first certification companies to be accredited by the DAkkS for the verification of GHG balances according to ISO 14064-1. During the implementation of your project, an industry team of specialised employees and, of course, a personal contact person are always at your side.

As part of the verification process, you will receive sound advice from our auditors on potential improvements in various areas to improve your greenhouse gas management.

We also pay attention to our own carbon footprint and are a member of the [Global Compact](#). We regularly publish [sustainability reports](#) and offset our unavoidable emissions as well as the emissions from the auditors' travel.

How does a verification of climate neutrality work?

The graphic summarises the most important steps on the way to climate neutrality for your organisation:



As a result, we will present the individual criteria transparently and resiliently on the following label:



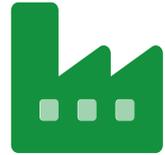
Greenhouse gas balancing

I. Norms and standards

Various internationally recognised standards and norms are provided for greenhouse gas balances. GUTcert offers verification (conformity check with regard to standard requirements) and validation according to the following internationally recognised standards:

Corporate Carbon Footprint (CCF)

The GHG footprint for organisations (CCF) is made up of the direct and indirect emissions of the entire organisation: directly in the company, at a location or from a part of the company.



▶ **ISO 14064-1**

This standard provides the tools to create a robust greenhouse gas balance for your organisation. Emissions are divided into direct and indirect emissions. Direct emissions must be reported. Indirect emissions can be reported according to self-selected significance criteria.

▶ **GHG Protocol Corporate Accounting and Reporting Standard**

In this standard (also for the preparation of greenhouse gas balances of organisations), emissions are divided into scopes. Scope 1 emissions are identical to the direct emissions from the ISO and must be listed in full. Scope 2 emissions refer to purchased energy (electricity, heat, compressed air, ...), where emissions are generated at external sources and must also be listed in full. Balancing Scope 3 is optional. These emissions include the remaining indirect emissions (e.g. employee commuting and procured products and services)

Product Carbon Footprint (PCF)

The GHG footprint for products (PCF) includes the greenhouse gases along the value chain of a functional unit. Examples would be a chocolate bar, a car, but also services such as the delivery of a package or an event held.



▶ **ISO 14067 Standard**

This standard provides the tools to establish a robust greenhouse gas balance for your product or service. In this standard, the balance boundaries are required for a functional unit ("cradle to grave"), i.e. for the complete product life cycle, or for a declared unit, whereby only certain sections of the product life cycle are included.

▶ **GHG Protocol Corporate Accounting and Reporting Standard**

With this standard (also for the preparation of greenhouse gas balances along a product life cycle) there are also two possible approaches. In the cradle-to-grave approach, the complete product life cycle is included. Alternatively, the cradle-to-gate approach can be chosen, in which the product life cycle is balanced from the extraction of raw materials to the completion of the product.

Carbon neutrality according to PAS 2060

This standard regulates the requirements for the "climate neutrality" of companies or products. It sets strict requirements for the carbon footprint, the climate neutrality management plan and the

emission certificates used. In the following tables, the criteria of PAS 2060 are explained in addition to the criteria we have listed.

Own greenhouse gas programmes and individual standards

If you have developed your own calculation methodology for your GHG accounting and this is explained in a transparent and comprehensible way, it can be used as a reference standard for certification. Experience has shown that these reference standards should be based on the existing ISO and GHG Protocol standards.

The respective GHG accounting standard and its version is shown on the certificate and logo.

II. Inclusion of significant indirect emissions

For the completeness and consistency of a GHG accounting, different requirements for indirect emissions are defined depending on the reference standard used:

- ▶ ISO standards
 - ▶ ISO 14064-1 (CCF):
All direct greenhouse gas emissions must be accounted for. Indirect emissions are assessed against significance criteria and excluded or accounted for accordingly.
 - ▶ ISO 14067 (PCF):
As for the CCF, materiality criteria must be established to assess indirect emissions. Which parts of the product life cycle are included can be freely decided, as long as the balance boundaries do not contradict the objectives of establishing the Carbon Footprint.
- ▶ GHG Protocol
 - ▶ Corporate Carbon Footprint Standard:
All greenhouse gas emissions from Scope 1 (direct emissions) and Scope 2 (indirect emissions from the purchase of energy, e.g. electricity, heat, compressed air, etc.) must be included. For Scope 3 there is the optional "Corporate Value Chain (Scope 3) Accounting and Reporting Standard".
 - ▶ Product Carbon Footprint Standard:
There are two approaches in the GHG Protocol. Greenhouse gas emissions can be accounted for from "cradle to gate" (raw material extraction up to product delivery) and from "cradle to grave" (complete product life cycle incl. use phase, disposal, recycling).
- ▶ PAS 2060
95 % of all emissions within the defined scope must be accounted for. All emissions above 1 % are accounted for. If a source emits more than 50 % of the total emissions, 95 % of the remaining emissions are also accounted for.

In addition, the following aspects should be taken into account for a reliable GHG accounting:

- ▶ As a matter of principle, significant emissions should not be excluded. If they are, they must be clearly declared and a comprehensible justification for the exclusion must be provided.
- ▶ The significance threshold should be set in a comprehensible process, taking into account the intended benefits (stakeholder analysis).
- ▶ The balance sheet framework should not contradict the target for climate neutrality.

Corporate Carbon Footprint (CCF)

Balancing Boundaries

Scope 1/direct emissions*

*only for ISO standard (if scope 2 and 3 are not essential)

Logo/certificate formulation

"Greenhouse gas inventory includes direct emissions (Scope 1)".

Corresponds to all emissions generated at the organisation's locations and additionally emissions from the organisation's own means of transport etc.

Scope 1 & 2 (direct emissions and emissions from the purchase of energy)* *only for ISO standard (if Scope 3 is not material) and GHG Protocol

"Greenhouse gas inventory includes own direct and energy-related indirect emissions (Scope 1 and 2)".

Emissions from external energy suppliers (electricity, heat, compressed air, ...) are included in addition to direct emissions.

Individual emissions from Scope 3 considered*

*only for GHG protocol

"Greenhouse gas inventory includes all direct and individual indirect emissions from Scope 3".

Significant emissions from Scope 1, 2 and 3*

*only for ISO and GHG Protocol

"Greenhouse gas inventory includes all direct and significant indirect emissions (Scope 1-3)".

Emissions from purchased products and services are added. Examples are waste/wastewater, investments, use and disposal of sold products and leased assets, etc.

All Scope 1, 2 and 3*

* PAS 2060 compliant

"Greenhouse gas inventory includes all significant direct and indirect emissions (Scope 1-3)".

Emissions from purchased products and services are added that account for more than 1% (or a total of 5%) of total emissions. Examples are waste/wastewater, investments, use and disposal of sold products and leased assets, etc.

Product Carbon Footprint (PCF)

Balance sheet limits

declared unit*

*ISO 14067 only

Logo/certificate formulation

"Balanced was of the product life cycle "*.

All greenhouse gas emissions that occur within a clearly declared balancing boundary within the product life cycle were considered. In the case of accounting according to ISO 14067, any partial

<p>Cradle to gate (raw material extraction to manufacturing of the product) *only for ISO and GHG Protocol</p>	<p>consideration of the product life cycle is permissible with a clear declaration. *Perhaps reference to certificate if description too long "The extraction of raw materials up to production was accounted for".</p>
<p>Cradle to grave (complete product life cycle = functional unit) *only for ISO and GHG Protocol</p>	<p>All greenhouse gas emissions that occur during the extraction of raw materials, the production of upstream intermediate products, upstream transport routes and the organisation's own production of the products were considered. Basically, all greenhouse gas emissions that occur before the product is delivered. "All significant emissions of the entire product life cycle have been accounted for."</p>
<p>At least 95% of all emissions are taken into account*.</p>	<p>All significant GHG emissions that occur along the product life cycle are considered. "Significant emissions included in accordance with PAS 2060. " 95 % of all emissions are accounted for. All emissions above 1 % are accounted for. If a source emits more than 50 % of total emissions, 95 % of the remaining emissions are also accounted for.</p>

III. Reduction plans/targets on avoidable GHG emissions

Reduction plans are listed in the GHG Protocol Standards (optional), the ISO standard (optional) and in PAS 2060 (mandatory). When a reduction plan is drafted, certain requirements are imposed by the standards. In general, a base year must be identified, which serves as a benchmark for determining the absolute emission reductions in the following years. The standards apply the same requirements for the GHG balance and the base year balance. In addition, the balancing boundaries must be the same. In the event of significant changes with regard to data collection or the balancing boundaries of the unit under consideration, the base year must be recalculated retroactively or a new base year must be declared.

Depending on the degree of implementation and the binding nature of the standards (optional or mandatory), the certificate and logo contain the following information:

Reduction plans	Logo/certificate formulation
<p>None* *only possible for GHG and ISO</p>	<p>"No reduction measures implemented or planned".</p>
<p>Reduction plans, not yet started on a mandatory basis* * only possible for GHG and ISO</p>	<p>"Reduction measures planned "</p>
	<p>The knowledge gained through the CF was used to uncover reduction potentials. Possible</p>

<p>Committed to reduction plans but not yet implemented*. * only possible for GHG and ISO</p>	<p>reductions have been identified but have not yet been made mandatory. "Committed to reduction measures"</p>
<p>Reductions implemented* * only possible for GHG and ISO</p>	<p>Reduction potentials have been identified and plans developed that the responsible party has committed to implement (contractually or self-declaration). The reductions have not yet been implemented. "Reduction measures implemented"</p>
<p>Regular reduction monitoring and public commitment* *PAS 2060 complies</p>	<p>Reduction potentials have been identified and plans developed, which the responsible party has contractually committed to implement. The reduction measures have been implemented or are in the process of being implemented. "Reduction measures implemented and communicated" Reduction potentials are reviewed annually and reduction plans are implemented or adjusted. Reduction plans/targets are reviewed by an independent third party. At the same time, a public commitment to climate neutrality is communicated by the managing director.</p>

IV. Compensation certificates/offsets to unavoidable GHG- emissions

Different climate protection projects, so-called offset projects or offsets are offered to compensate for one's own unavoidable GHG emissions. There are several criteria that should be considered when choosing a provider. The corresponding quality classes are usually determined by the criteria fulfilled.

As an independent certification body, GUTcert does not make any ideological or qualitative assessments of the climate protection projects.

For the declaration of climate neutrality, the projects and the degree of implementation of the individual criteria are presented. For certificates from the existing Gold Standard, the Clean Development Mechanism (CDM) or the Voluntary Carbon Standard, the requirements according to PAS 2060 are considered fulfilled.

The respective compensation standard is shown on the GUTcert label. The individual criteria from the following requirements are shown on the certificate (note: for PAS 2060, all requirements except the no-harm principle must be met):

Request

Additionality

Offset GHG reduction projects do not happen on their own without the financial counterpart.

Transparency

GHG reduction projects are registered, described and de-commissioned in a public register. All information on the project is freely accessible to the general public.

Permanence

GHG reduction projects sustainably sequester greenhouse gases. The risk of re-release is minimal.

No double counting

Bound greenhouse gases from GHG reduction projects are not counted more than once. Bound greenhouse gases of a certificate can be demonstrably assigned to a unit of the project.

Verified

GHG reduction projects are verified by an independent third party.

Compensation before emission

Measures of the project are already completed before the purchase of the certificates and the emission of the emissions.

No leakage

Measures of the project do not shift emissions to another location.

No-Harm Principle*

*** does not apply to PAS 2060**

Measures of the project should not have negative biophysical or health impacts.

Declaration of climate neutrality

To ensure transparent conformity, only the fulfilled criteria from the certification are listed by GUTcert on the logos for climate neutrality. For example, for a product carbon footprint, this means that only the life cycle stages and direct/indirect emissions for which compensation has been made are shown. Analogously, for the Corporate Carbon Footprint this would be the balancing and reporting boundaries as well as indirect emissions (Scope 3).

Furthermore, the communication of climate neutrality is a critical factor, since statements on climate neutrality are neither legally nor normatively protected or defined, as already described in the introduction. Therefore, your company must ensure clear and transparent communication that can be understood by non-professionals. The aim should be to communicate only reliable information. In the discussion about the concept of climate neutrality, two factors are decisive:

- ▶ The balance limits
- ▶ The handling of carbon-offsets

Therefore, we recommend addressing these two topics offensively and in detail when communicating climate neutrality. Apart from our certificate and logo, describe which greenhouse gas sources and categories were accounted for and in particular which categories were excluded and why. You should also communicate which criteria are covered by the offset certificates you use. In addition, you should make it possible for stakeholders to track information about the offset projects your company supports and, ideally, to track them in publicly accessible databases.

Getting better and better with GUTcert.

Information

You can find more information at climateneutrality.com or on the [GUTcert](https://www.gutcert.com) website.

If you have any questions or suggestions, please contact [Florian Himmelstein](mailto:florian.himmelstein@gutcert.com).